

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF MORRIS)
COUNTY OF MORRIS, NEW JERSEY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH INDEPENDENT AUDITOR'S REPORT

MORRIS COUNTY IMPROVEMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Commissioners
Morris County Improvement Authority
County of Morris
Administration and Records Building
5th Floor
Morristown, New Jersey 07963-0900

Report on the Financial Statements

We have audited the accompanying statement of net position of the Morris County Improvement Authority as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morris County Improvement Authority as of December 31, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis which follows this report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprises the Morris County Improvement Authority's financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021 on our consideration of the Morris County Improvement Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Morris County Improvement Authority's internal control over financial reporting and compliance.

Thomas M. Ferry

Thomas M. Ferry, C.P.A.
Registered Municipal Accountant

Ferraioli Wielkocz Cerullo & Cuva

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

July 28, 2021

**MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

As management of the Morris County Improvement Authority, we offer the Authority's financial statements, this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2020. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the Authority operations over the past year and can be used to determine whether the Authority has recovered all its costs through its user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. In addition, long-term trends need to be reviewed to best assess the financial health of the Authority. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position - the difference between

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
DECEMBER 31, 2020

FINANCIAL ANALYSIS OF THE AUTHORITY, CONTINUED

assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non - financial factors such as changes in economic conditions, development, and new or changed government regulation.

NET POSITION

A summary of the Authority's Statement of Net Position is presented in the following table:

CONDENSED STATEMENT OF NET POSITION

	<u>FY</u> <u>2020</u>	<u>FY</u> <u>2019</u>
ASSETS		
Current and Other Assets	\$ <u>1,303,039</u>	\$ <u>477,845</u>
Total Assets	\$ <u><u>1,303,039</u></u>	\$ <u><u>477,845</u></u>
LIABILITIES and RESERVES		
Accounts Payable	\$ <u>619</u>	\$ <u>561</u>
NET POSITION		
Unrestricted		
Designated	739,185	
Undesignated	\$ <u>563,235</u>	\$ <u>477,284</u>
Total Net Position	\$ <u><u>1,302,420</u></u>	\$ <u><u>477,284</u></u>

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
DECEMBER 31, 2020

**CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

	<u>FY</u> <u>2020</u>	<u>FY</u> <u>2019</u>
Operating Revenues	\$ 120,075	\$ 71,811
Non-Operating Revenues	<u>788,822</u>	<u>20,926</u>
Total Revenues	\$ <u>908,897</u>	\$ <u>92,737</u>
Operating Expenses	\$ 35,153	\$ 56,949
Non-Operating Expenses	<u>48,608</u>	<u> </u>
Total Expenses	\$ <u>83,761</u>	\$ <u>56,949</u>
Change in Net Position	\$ <u>825,136</u>	\$ <u>35,788</u>
Beginning Net Position	\$ <u>477,284</u>	\$ <u>441,496</u>
Ending Net Position	\$ <u><u>1,302,420</u></u>	\$ <u><u>477,284</u></u>

As can be seen in the above table, net position increased by \$825,136 and increased by \$35,788 in 2020 and 2019, respectively.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
DECEMBER 31, 2020

BUDGETARY HIGHLIGHTS

The Authority prepares and submits an annual operating budget to the State of New Jersey, which approves the budget for adoption by the Authority prior to the beginning of the fiscal year.

The following table provides the budget highlights for 2020 and 2019, respectively:

	Budget vs. Actual			
	December 31,			
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Administrative Fees	\$ 75,000	\$ 120,075	\$ 79,500	\$ 71,811
Participant Contributions for Debt Service	39,912,094	39,912,094	35,902,807	35,902,807
Other Revenues	400	788,822	400	20,926
Net Position Anticipated	<u>105,050</u>	<u>105,050</u>	<u>100,300</u>	<u>100,300</u>
	<u>\$ 40,092,544</u>	<u>\$ 40,926,041</u>	<u>\$ 36,083,007</u>	<u>\$ 36,095,844</u>
<u>Appropriations</u>				
Administration Expenses	\$ 180,450	\$ 35,153	\$ 180,200	\$ 56,949
Non-Operating Appropriations:				
Principal Payments on				
Conduit Debt Service	30,015,000	30,015,000	25,070,000	25,070,000
Interest on Conduit Debt	<u>9,897,094</u>	<u>9,897,094</u>	<u>10,832,807</u>	<u>10,832,807</u>
	<u>\$ 40,092,544</u>	<u>\$ 39,947,247</u>	<u>\$ 36,083,007</u>	<u>\$ 35,959,756</u>

DEBT ADMINISTRATION

The Authority has been aggressive in attracting conduit debt issues. At December 31, 2020, there is \$234,800,000 of Outstanding Conduit Permanent Debt.

More detailed information about the Authority's long-term debt liabilities is presented in Note 2 of the financial statements.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
DECEMBER 31, 2020

CONTACTING THE AUTHORITY

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Morris County Improvement Authority, County of Morris, Administration and Records Building, 5th floor, Morristown, NJ 07963-0900 or call 973-285-6020.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
STATEMENT OF NET POSITION
DECEMBER 31, 2020

Exhibit A

Current Assets:

Unrestricted:

Cash and Cash Equivalents \$ 1,303,039

Total Current Assets \$ 1,303,039

TOTAL ASSETS \$ 1,303,039

LIABILITIES

Accounts Payable \$ 619

NET POSITION

Unrestricted

Designated 739,185

Undesignated 563,235

Total Net Position 1,302,420

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

MORRIS COUNTY IMPROVEMENT AUTHORITY **Exhibit B**
(A Component Unit of the County of Morris)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
DECEMBER 31, 2020

Operating Revenues	
Administrative Fees	\$ <u>120,075</u>
Total Operating Revenues	\$ <u>120,075</u>
Operating Expenses	
Administrative	\$ <u>35,153</u>
Total Operating Expenses	\$ <u>35,153</u>
Operating Income (Loss)	\$ <u>84,922</u>
Non-Operating Revenues (Expenses)	
Interest Income	\$ 824
Proceeds for Debt Service	787,793
Payments for Conduit Debt	(48,608)
Proceeds from Other Sources	<u>205</u>
Total Non-Operating Revenues (Expenses)	\$ <u>740,214</u>
Change in Net Position	\$ <u>825,136</u>
Net Position, January 1,	\$ <u>477,284</u>
Net Position, December 31,	\$ <u><u>1,302,420</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
STATEMENT OF CASH FLOWS
DECEMBER 31, 2020

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from customers	\$	120,075
Cash payments to suppliers for goods and services		(35,095)
Net cash used for Operating Activities	\$	<u>84,980</u>

CASH FLOW FROM INVESTING ACTIVITIES:

Interest on cash equivalents	\$	824
Net cash provided by Investing Activities	\$	<u>824</u>

CASH FLOWS FROM NON-OPERATING ACTIVITIES:

Proceeds from Other Sources	\$	205
Contribution Paid to Trustee Reimbursed from Trustee		64,984
Cash receipts to Pay Debt Service		787,793
Cash payments for Debt Service Expenses		(48,608)
Net cash provided by Non-Operating Activities	\$	<u>804,374</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS \$ 890,178

CASH AND CASH EQUIVALENTS, JANUARY 1, \$ 412,861

CASH AND CASH EQUIVALENTS, DECEMBER 31, \$ 1,303,039

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$	84,922
Increase in Accounts Payable		58

NET CASH USED FOR OPERATING ACTIVITIES \$ 84,980

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Authority Description

The Morris County Improvement Authority (the “Authority”) is a public body politic, corporate, organized, and existing under the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 160, as Amended and Supplemented, N.J.S.A. 40:37A-1, et seq., and was created by virtue of an ordinance of the County of Morris, New Jersey (the “County”), adopted April 10, 2002.

B. Component Unit

These financial statements present the Morris County Improvement Authority (a Component Unit of the County of Morris). GASB has issued Statements No. 39 and 61, which amend GASB 41 and requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The Authority is financially accountable to the County of Morris (the “County”) since the County appoints a voting majority of the Authority’s commissioners, and (1) the County is able to significantly influence the programs and services performed or provided by the Authority; or (2) the County is legally entitled to or can otherwise access the Authority’s resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Authority; or the County is obligated for the debt of the Authority. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, of the levying of taxes. Based on the forgoing criteria, the Authority is a component unit of the County.

The Division of Local Government Services, Department of Community Affairs, State of New Jersey has not mandated that municipalities in the State of New Jersey implement GASB 34 therefore, the County’s financial statements are not presented.

C. Accounting Principles

On August 26, 1983, the State of New Jersey enacted P.L. 1983, Chapter 313 providing for a State review of the financial operations of local authorities. The responsibility for this review was given to the Local Finance Board and the Division of Local Government Services of the Department of Community Affairs (DCA).

The DCA has recognized the National Council on Governmental Accounting (NCGA) Statement 1, “Governmental Accounting and Financial Reporting Principles”, and subsequent NCGA statements and interpretations as authoritative on application of generally accepted accounting principles (GAAP) for local authorities. In July of 1984, the Governmental Accounting Standards Board (GASB) became the successor organization to the NCGA as the promulgator of standards of financial accounting and reporting with respect to activities and transactions of State and local governmental entities.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Accounting Principles, (continued)

GASB Statement No. 20 recognizes that the accounting and financial reporting activities of authorities are considered to be proprietary activities. In accordance with Statement No. 20, the Authority has applied all GASB pronouncements.

D. 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 Authority and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

E. Basis of Presentation

On January 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net position reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position. The classifications of net position are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

G. Property, Plant, and Equipment

At December 31, 2020, the Authority did not own any property, plant, or equipment.

H. Recent Accounting Pronouncements

The Government Accounting Standards Board issued GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement, The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effective for fiscal years beginning after December 15, 2019, though earlier application is encouraged, The Authority does not believe this Statement may impact the reporting of certain interest payments previously recorded as capital expenditures.

In August 2018, the Government Accounting Standards Board issued GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61 This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority does not believe this Statement will have any effect on future financial statements.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Recent Accounting Pronouncements, (continued)

In May 2019, the Government Accounting Standards Board issued GASB Statement No. 91, Conduit Debt Obligations. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. The Authority believes this Statement will affect future financial statements.

In January 2020, the Government Accounting Standards Board issued GASB Statement No. 92, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 93, Replacement of Interbank Offering Rates. The objective of this Statement is to address certain issues with Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, Statement No. 87, Leases, as amended and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for fiscal years beginning after June 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This

Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority does not believe this Statement will have any effect on future financial statements.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Recent Accounting Pronouncements, (continued)

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, Certain Asset Retirement Obligations; Statement No. 84, Fiduciary Activities; Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting/or Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019; Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases; Implementation Guide No. 2019-3, Leases. The requirements of this Statement are effective immediately.

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MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS

The Authority has issued debt on behalf of third-party entities. The Authority has no obligation for the debt beyond the resources provided by the related leases or loans, and, accordingly, the debt is not reflected as a liability in the accompanying financial statements.

The aggregate principal amounts outstanding on this debt at December 31, 2020 are as follows:

<u>Bonds:</u>		<u>2020</u>
Newton	Series 2009 (Note 2A)	\$ 895,000
Refunding Bonds	Series 2010 (Note 2B)	3,885,000
Renewable Energy 2011A	Series 2011 (Note 2C)	15,995,000
Pooled Program Lease Revenue	Series 2011 (Note 2D)	8,525,000
Pooled ERI Refunding Bonds	Series 2011 (Note 2E)	335,000
Sussex Renewable Energy	Series 2011 (Note 2F)	12,915,000
School District Revenue Refunding	Series 2012 (Note 2G)	3,550,000
Pooled Program Bonds, 2012A	Series 2012A (Note 2H)	14,100,000
Pooled Program Bonds, 2012B	Series 2012B (Note 2I)	4,390,000
Denville Refunding 2013	Series 2013 (Note 2J)	3,370,000
Lease Revenue Bonds (Refunded)	Series 2015 (Note 2K)	965,000
County Refunding Bonds	Series 2015 (Note 2L)	5,890,000
County General Improvement Bonds	Series 2015 (Note 2M)	17,245,000
Sussex Renewable Energy 2015	Series 2015 (Note 2N)	3,980,000
Refunding (Lincoln Park)	Series 2016 (Note 2O)	14,530,000
Drew University Project	Series 2017 (Note 2P)	83,515,000
Renewable Energy Refunding Bonds	Series 2019 (Note 2Q)	6,750,000
Rockaway Borough Board of Education	Series 2020(Note 2R)	10,935,000
Morris Hills Regional District Project	Series 2020(Note 2S)	17,145,000
		<u>\$ 228,915,000</u>
<u>Notes:</u>		<u>2020</u>
Whippany Fire District Notes	Series 2020 (Note 2T)	\$ 5,885,000
		<u>\$ 5,885,000</u>
<u>Total Bonds and Notes</u>		<u>\$ 234,800,000</u>

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

A. Loan Program Bonds, Town of Newton, Series 2009 (County Guaranteed)

On September 16, 2009 the MCIA issued bonds in the amount of \$4,285,000 with a final maturity date of October 1, 2023, at an interest rate ranging from 2.00% to 5.00%. The proceeds will be issued in (i) refinancing bond anticipation notes originally issued for various purposes including the acquisition of equipment, renovation of buildings and infrastructure and the initial planning expenses for redevelopment planning; and (ii) payment of certain costs of issuance in connection with the issuance of the Newton Local Unit Bond.

B. Refunding Bonds, Series 2010 (County Guaranteed)

On August 11, 2010 the MCIA issued Refunding bonds on behalf of Washington Township Board of Education in the amount of \$12,260,000 with a final maturity date of August 15, 2023, at an interest rate ranging from 2.00% to 4.00%. These bonds were issued to provide for the refunding of 2014-2023 maturities of the outstanding 2003 Bonds of the School District (the Local Unit “Refunding Bond Ordinance,”) and resulted in a net present value savings of \$472,332.

C. Renewable Energy Program, Series 2011A (County Guaranteed)

On December 8, 2011 the Morris County Improvement Authority issued bonds in the amount of \$33,100,000 with a final maturity date of June 15, 2027, at an interest rate ranging from 1.062% to 4.705%. On May 15, 2012 a \$1,200,000 note was issued maturing on January 15, 2013 at an interest rate of 1.062%. The purpose of which was to deposit in a capitalized interest account sufficient dollars to pay the interest on the Series 2011A Bonds on June 15, 2012 and December 15, 2012. The \$1,200,000 note was then extended to mature on January 15, 2014 and again extended to mature on January 15, 2015. On January 21, 2015 (notice dated January 14, 2015), a resolution was passed deferring maturity on the Series 2011B Note until February 16, 2015. This deferral was further extended to April 15, 2015 and again until June 15, 2015, per resolutions passed on February 11, 2015 and April 1, 2015, respectively. On April 22, 2015, a resolution was passed authorizing a Note Roll, thereby renewing the \$1.2 million Series 2011B Note at a reduced interest rate of 1.03% with a final maturity date of May 15, 2016. It is on that date that the note was retired. The bonds were issued to (i) finance a portion of the costs of the Renewable Energy Projects for each of the Series 2011 Local Units, (ii) reimburse certain Renewable Energy Program development costs paid by the County and the Authority, (iii) pay certain fees and costs incurred by or for Sunlight General Morris Solar, LLC (the “Company”) in connection with the Renewable Energy Program, and (iv) pay the various costs of issuing the Series 2011A Bonds.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

D. Pooled Program Bonds, Series 2011 (County Guaranteed)

On August 30, 2011 the MCIA issued bonds in the amount of \$16,490,000 with a final maturity date of August 15, 2036, at an interest rate ranging from 2.00% to 5.00%, and notes in the amount of \$10,930,000 at a rate of 1.5%. The payment of principal and interest on the entire bond and note issuance is secured by a full unconditional irrevocable guarantee by the County. The bonds and notes are being issued to finance the leasing of capital equipment and/or property in accordance with the County Improvement Authorities Law of the following Local Government Units:

Borough of Rockaway
Town of Newton
Morris County

E. Refunding Bonds, Pooled ERI, Series 2011 (County Guaranteed)

On December 20, 2011 the MCIA issued Refunding bonds in the amount of \$6,665,000 with a final maturity date of March 1, 2021, at an interest rate ranging from .700% to 3.480%. These bonds were issued to provide funds, together with investment income earned thereon, to (i) advance refund a \$6,005,000 callable portion of the Authority's \$6,230,000 aggregate principal amount of County of Morris Guaranteed Loan Revenue Bonds, Series 2003 (Pooled ERI), maturing on March 1 in the years 2014, 2015 and 2021, (ii) pay interest accrued and to accrue on the Callable Bonds from the date of delivery of the Series 2011 Bonds to and including March 1, 2013, the date fixed for the redemption of the Callable Bonds; and (iii) pay the costs of issuance incurred in connection with the issuance and delivery of the Series 2011 Bonds (See Note 2A).

F. Sussex Renewable Energy Program, Series 2011A&B

On December 14, 2011 the Morris County Improvement Authority issued bonds in the amount of \$26,715,000 with a final maturity date of June 15, 2027, at an interest rate ranging from 1.138% to 4.938% and notes in the amount of \$985,000 maturing January 15, 2013 at an interest rate of 1.50%. The bonds and notes are being issued to (i) finance a portion of the costs of the Renewable Energy Projects for each of the Series 2011 Local Units, (ii) reimburse certain Renewable Energy Program development costs paid by the County of Sussex and the Authority, (iii) pay certain fees and costs incurred by or for Sunlight General Sussex Solar, LLC (the "Company") in connection with the Renewable Energy Program, and (iv) pay the various costs of issuing the Series 2011A Bonds and the Series 2011B Note.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

G. School District Revenue Refunding Bonds, Series 2012 (County Guaranteed)

On March 28, 2012 the Morris County Improvement Authority issued refunding bonds in the amount of \$28,230,000 with a final maturity date of October 1, 2029, at an interest rate ranging from 2.000% to 5.000%. The Bonds consist of (i) the advance refunding of \$30,507,000 of the outstanding callable principal amounts of the \$43,092,000 aggregate principal amounts of the County of Morris Guaranteed School District Revenue Bonds, Series 2004 dated March 31, 2004 maturing on or after October 1, 2015 at par, plus any unpaid accrued interest to October 1, 2014 and (ii) the payment of any costs associated with the issuance of the Series 2012 Local Unit Refunding Bond or the Series 2012 Bonds. On July 16, 2020, \$15,475,000 of these bonds were refunded through issuance of \$17,615,000 of County of Morris Guaranteed School District Revenue Refunding Bonds at interest rates ranging from 0.446% to 1.662% with a final maturity date of October 1, 2029. The amount of bonds not refunded amount to \$5,220,000 and have a final maturity date of October 1, 2022, at an interest rate of 4.000%.

H. Pooled Program Bonds, Series 2012A (County Guaranteed)

On June 28, 2012 the Morris County Improvement Authority issued bonds in the amount of \$20,015,000 with a final maturity date of February 1, 2037, at an interest rate ranging from 2.000% to 3.625%. The payment of principal and interest on the entire bond and note issuance is secured by a full unconditional irrevocable guarantee by the County. The bonds are being issued to finance the leasing of capital improvements, refund outstanding Bond Anticipation Notes issued by the Borough of Chester, refund the 2011 Pooled Program Notes and additional costs for the expansion of the County Public Safety Academy in accordance with the County Improvement Authority law of the following local Governmental Units:

Borough of Chester
County of Morris

I. Pooled Program Bonds, Series 2012B (County Guaranteed)

On June 28, 2012 the Morris County Improvement Authority issued bonds in the amount of \$8,500,000 with a final maturity date of February 1, 2027, at an interest rate ranging from 2.000% to 3.000%. The payment of principal and interest on the entire bond and note issuance is secured by a full unconditional irrevocable guarantee by the County. The bonds are being issued to finance various improvements to the Morris County Community College and are entitled to the benefits of the New Jersey County College Bonds Act, P.L. 1971, C. 12 as amended (the "Chapter 12 Act").

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

J. Pooled Program Refunding Bonds, Series 2013 (County Guaranteed)

On April 18, 2013 the Morris County Improvement Authority issued \$8,160,000 of County of Morris Guaranteed Authority Refunding Pooled Bonds with a final maturity date of September 1, 2023, at an interest rate ranging from 4.00% to 5.00%. The County adopted a guaranty ordinance on February 27, 2013, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. These bonds were issued to refund \$8,590,000 of the 2005 County of Morris Guaranteed Pooled Program Bonds.

K. Lease Revenue Refunding Bonds, Series 2015 (County Guaranteed)

On December 30, 2015, the Morris County Improvement Authority issued \$2,075,000 County Guaranteed Lease Revenue Refunding Bonds with a final maturity date of December 31, 2024 at an interest rate of 2.09%. These bonds were issued to provide the final refunding of the Pooled Program Bonds, Series 2005. The initial \$8,590,000 of the Pooled Program Bonds were refunded through the issuance of County of Morris Guaranteed Authority Refunding Pooled Program Bonds (See Note 2L).

The payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. The Bonds are being issued to finance the leasing of capital equipment and/or property in accordance with the County Improvement Authorities Law of the following Local Government Units:

Township of Denville
Township of Brick
The Educational Services Commission of Morris County

L. County Refunding Bonds, Series 2015 (County Guaranteed)

On December 30, 2015, the Morris County Improvement Authority issued bonds in the amount of \$25,090,000 with a final maturity date of May 1, 2024, at an interest rate ranging from 2.000% to 5.000%. The County adopted a guaranty ordinance on November 10, 2015, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. The bonds are being issued to provide funds to make a loan to the County of Morris to (i) finance various capital, county college and park improvements throughout the County, (ii) refund the Refunded Bonds and (iii) pay costs associated with the authorization, sale and issuance of the Series 2015 Bonds and the County Bonds.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

M. County General Improvement Bonds, Series 2015 (County Guaranteed)

On December 30, 2015, the Morris County Improvement Authority issued bonds in the amount of \$36,000,000 with a final maturity date of May 1, 2024, at an interest rate ranging from 2.000% to 5.000%. The County adopted a guaranty ordinance on November 10, 2015, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. The bonds are being issued to provide funds to make a loan to the County of Morris to (i) finance various capital, county college and park improvements throughout the County, (ii) refund the Refunded Bonds and (iii) pay costs associated with the authorization, sale and issuance of the Series 2015 Bonds and the County Bonds.

N. Sussex Renewable Energy Program, Series 2015

On May 12, 2015, the Morris County Improvement Authority issued bonds in the amount of \$6,750,000 with a final maturity date of March 15, 2025, at an interest rate of 1.000%. The bonds are being issued in order to finance the (i) Settlement Project, (ii) costs incurred in connection with the issuance of the Series 2015 Bonds, and (iii) such other amounts as shall be set forth in the hereinafter defined Series 2015 Supplemental Resolution.

O. Loan Program Bonds, Lincoln Park Refunded, Series 2016 (County Guaranteed)

On August 18, 2016, the Morris County Improvement Authority issued refunding bonds in the amount of \$15,535,000 with a final maturity date of March 15, 2030, at an interest rate of 4.000%. The County adopted a guaranty ordinance on April 27, 2016, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. These bonds were issued to (i) advance refund a \$16,575,000 callable portion of the Authority's aggregate principal amount of 2009 County of Morris Guaranteed Pooled Program Bonds and (ii) pay any costs associated with the issuance of the Lincoln Park Refunded Series 2016 Bonds.

P. Drew University Project, Series 2017

On December 19, 2017, the Morris County Improvement Authority issued bonds in the amount of \$83,515,000 with a final maturity date of October 1, 2047, at an interest rate of 6.250%. The bonds and notes are being issued to (i) refinance existing debt, (ii) to finance certain capital improvements to campus facilities located in the municipality of Madison, (iii) to fund capitalized interest if necessary, (iv) to fund a debt service reserve fund if necessary, and (v) to pay costs of issuance on the bond.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

Q. Renewable Energy Refunding Bonds, Series 2019 (County Guaranteed)

On December 4, 2019, the Morris County Improvement Authority issued refunding bonds in the amount of \$8,220,000 with a final maturity date of August 15, 2025, at an interest rate of 5.000%. The County adopted a guaranty ordinance on September 25, 2019, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. These bonds were issued to (i) advance refund a \$8,640,000 callable portion of the Authority's aggregate principal amount of 2009A County of Morris Guaranteed Renewable Energy Program Lease Revenue Bonds and (ii) pay any costs associated with the issuance of the Renewable Energy Refunding Series 2019 Bonds.

R. Rockaway Borough Board of Education Project, Series 2020 (County Guaranteed)

On March 11, 2020, the Morris County Improvement Authority issued \$10,935,000, at an interest rate ranging from 3.000% to 5.000% of 2020 County of Morris Guaranteed Governmental Loan Revenue Bond, Series 2020 (Rockaway Borough Board Of Education Project). The County adopted a guaranty ordinance on January 22, 2020, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

S. School District Revenue Refunding Bonds, Series 2020 (County Guaranteed)

On July 16, 2020, the Morris County Improvement Authority issued refunding bonds in the amount of \$17,145,000 with a final maturity date of October 1, 2029, at an interest rate ranging from 0.446% to 1.662%. The County adopted a guaranty ordinance on May 13, 2020, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. These bonds were issued to refund the refunded bonds.

T. Whippany Fire District Notes, Series 2020 (County Guaranteed)

On August 3, 2020, the Morris County Improvement Authority issued notes in the amount of \$5,885,000 with a final maturity date of August 2, 2021, at an interest rate of 3.000%. The County adopted a guaranty ordinance on June 3, 2020, whereby the payment of principal and interest on the entire note issuance is secured by a full unconditional irrevocable guarantee by the County. The Notes are being issued to (i) currently refund, together with other available funds, Whippany Fire District Note Series 2019 in the amount of \$5,500,000. These bonds were issued to (i) provide funds to make a loan and purchase the Bond Anticipation Notes for the Whippany Fire District, which are being issued to finance the design and construction of a new firehouse and refinance a construction loan related to the project and (ii) pay any costs associated with the authorization, sale, and issuance of the Notes.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

Schedule of Annual Debt Service of Principal and Interest for Local Units

Bonds and Notes:

<u>Year</u>	<u>Principal Amount</u>		<u>Interest Amount</u>	<u>Total</u>
2021	29,650,000.00	-	10,264,479.68	39,914,479.68
2022	21,380,000.00	-	9,443,514.99	30,823,514.99
2023	21,315,000.00	-	8,579,823.21	29,894,823.21
2024	17,105,000.00	-	7,754,858.91	24,859,858.91
2025	14,330,000.00		7,138,902.80	21,468,902.80
2026-2030	46,830,000.00	-	28,959,077.78	75,789,077.78
2031-2035	22,950,000.00	-	21,864,303.17	44,814,303.17
2036-2040	23,795,000.00	-	15,669,471.89	39,464,471.89
2041-2045	25,030,000.00	-	8,768,125.00	33,798,125.00
2046-2048	12,415,000.00	-	1,175,937.50	13,590,937.50
	<u>\$ 234,800,000.00</u>		<u>\$ 119,618,494.93</u>	<u>\$ 354,418,494.93</u>
Long Term	\$ 205,150,000.00			
Short Term Portion	<u>29,650,000.00</u>			
Total	<u>\$ 234,800,000.00</u>			

U. County Guaranteed Leasing Program, Series 2004 (County Guaranteed)

On August 4, 2004, the MCIA established a County Guaranteed Leasing Program with the Bank of America Leasing and Capital, LLC, up to a maximum amount of \$10,000,000. On June 12, 2006 this amount was increased to \$20,000,000. On June 11, 2007 it was increased an additional \$10,000,000 to \$30,000,000. The Leasing Program provides low cost, timely and turnkey lease financing to local units desiring to lease finance their equipment needs. The MCIA (Lessee) through a master lease purchase agreement which in 2005 was changed to Commerce Commercial Leasing, LLC (Now TD Equipment Finance) (Lessor), requests lessor to finance the acquisition of equipment on behalf of the local units.

Concurrently with or subsequent to the execution and delivery of this Lease, Lessee shall enter into a "Sublease Purchase Agreement", with a political subdivision of the State or a state or local governmental unit within the meaning of 1.103-1(a) of the Treasury Regulations promulgated under the Internal Code of 1986, as amended ("Sublessee"), pursuant to which Lessee will sublease the Equipment to Sublessee.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

2. CONDUIT DEBT OBLIGATIONS, (continued)

In consideration of Lessor and Lessee entering into this Lease, Lessee intends to issue to Lessor a performance bond in a principal amount up to the Maximum Program Amount, which Bond will be issued directly to Lessor and will be payable to Lessor only upon a deficiency in Rental Payments due and owing under the Sublease, in which case the County of Morris will have fully, unconditionally and irrevocably guaranteed the payment of the principal of the Bond up to the Maximum Program Amount, plus interest thereon.

During the twelve month period ending December 31, 2020, four local units had closed on transactions, they are as follows:

Montville Township, Board of Education	\$ 471,141.24
Rockaway Twp School District	388,813.56
East Hanover Twp. School Distric	162,732.17
Montville Township, Board of Education	<u>400,623.80</u>
	<u>\$ 1,423,310.77</u>

Over the life of the County Guaranteed Leasing Program, \$58,080,951.42 of lease financing has been loaned. Payments totaling \$55,365,520.06 have been made and \$27,284,568.64 of the \$30,000,000.00 authorized is available for the program, as of December 31, 2020.

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MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes that are treated as cash equivalents. As of December 31, 2020, \$-0- of the Authority's bank balance of \$1,314,311.33 is exposed to custodial credit risk.

Investments

Investment Rate Risk

The Authority has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. A formal investment policy was adopted on April 20, 2016.

Credit Risk

New Jersey Statutes limit municipal investments to those specified in the Statutes.

The type of allowed investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the Authority is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

4. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through July 28, 2021, the date which the financial statements were available to be issued and the following are debt obligations issued subsequent to December 31, 2020:

Sussex Renewable Energy Refunding Bonds, Series 2021:

On February 11, 2021, the Morris County Improvement Authority issued refunding bonds in the amount of \$10,500,000 with a final maturity date of June 15, 2027, at an interest rate ranging from 0.323% to 1.246%. These bonds were issued to refund \$11,070,000 of the Sussex Renewable Energy Bonds, Series 2011A&B.

Pooled Program Bonds, Series 2021A (County Guaranteed):

On February 16, 2021, the MCIA issued bonds in the amount of \$8,930,000 with a final maturity date of August 1, 2040, at an interest rate ranging from 3.00% to 5.00%. The bonds were issued to (i) currently refund and permanently finance \$9,837,739 of the Borough of Rockaway's outstanding notes, consisting of a \$5,720,199 Bond Anticipation Note and a \$4,117,540 Water Utility Bond Anticipation Note; (ii) finance new money for Rockaway in the amount of \$782,423 to fund various capital improvements; and (iii) pay costs associated with the authorization, sale and issuance of the Series 2021A Rockaway Borough Local Unit Bonds.

Pooled Program Refunding Bonds, Series 2021B (County Guaranteed):

On February 16, 2021, the MCIA issued refunding bonds in the amount of \$23,915,000 with a final maturity date of February 1, 2037, at an interest rate ranging from 0.293% to 2.544%. The bonds were issued to advance refund (i) all or a portion of the \$7,130,000 outstanding Pooled Program Bonds, Series 2011; (ii) all or a portion of the \$12,620,000 outstanding Pooled Program Bonds, Series 2012A; and (iii) all or a portion of the \$3,215,000 outstanding Pooled Program Bonds, Series 2012B.

Whippany Fire District Loan Revenue Bonds, Series 2021 (County Guaranteed):

On May 26, 2021, the MCIA issued bonds in the amount of \$5,200,000 with a final maturity date of March 1, 2044, at an interest rate ranging from 3.00% to 4.00%. The bonds were issued to (i) currently refund the 2020 Whippany Fire District Notes and (ii) pay costs associated with the authorization, sale and issuance of the bonds.

Renewable Energy Refunding Bonds, Series 2021 (County Guaranteed):

On July 28, 2021, the MCIA issued refunding bonds in the amount of \$13,995,000 with a final maturity date of June 15, 2027, at an interest rate ranging from 0.241% to 1.298%. These bonds were issued to (i) refund \$13,710,000 the Renewable Energy Bonds, Series 2011A; (ii) pay certain fees and costs incurred by or for SunLight General Morris Solar, LLC and (iii) pay the various costs of issuance.

5. COMMITMENTS AND CONTINGENT LIABILITIES

We are advised by the Authority Counsel that they are unaware of any litigation or claims in which the Authority is involved. In Addition, they are not aware of any significant judgements rendered or settlements regarding the Authority made during the 2020 calendar year.

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
SCHEDULE OF OPERATING REVENUES AND COSTS
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED 2020

Schedule 1

GOVERNMENTAL FUND

	<u>2020</u> <u>Budget</u>	<u>2020</u> <u>Actual</u>
<u>REVENUES</u>		
Administrative Fees	\$ 75,000	\$ 120,075
Participant Contributions for Debt Service	39,912,094	39,912,094
Other Revenues	400	788,822
Net Position Anticipated	<u>105,050</u>	<u>105,050</u>
	<u>\$ 40,092,544</u>	<u>\$ 40,926,041</u>
 <u>APPROPRIATIONS</u>		
Administration:		
Administration Expenses	\$ 180,450	\$ 35,153
Non-Operating Appropriations		
Principal Payments on Conduit Debt Service	30,015,000	30,015,000
Interest on Conduit Debt	<u>9,897,094</u>	<u>9,897,094</u>
	<u>\$ 40,092,544</u>	<u>\$ 39,947,247</u>
Excess or (Deficit) in Actual Revenues and Expenses		978,794
 Reconciliation of Budgetary Basis To Change in Net Position:		
Net Position Anticipated		(105,000)
Non-Operating Expenses:		
Payments for Conduit Debt		<u>(48,608)</u>
Change in Net Position		<u>825,186</u>

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED 2020

Schedule 2

Balance, December 31, 2020	
Cash and Cash Equivalents	\$ <u>412,861</u>
Increased by Receipts:	
Administrative Fees	\$ 120,075
Proceeds from Other Sources	205
Contribution Paid to Trustee reimbursed from Trustee	64,984
Receipts for Payments of Debt Service	787,793
Interest Income	<u>824</u>
Total Receipts:	\$ <u>973,881</u>
	\$ <u>1,386,742</u>
Decreased by Disbursements:	
Operating Expenses	\$ 35,095
Payments for Debt Service Expenses	<u>48,608</u>
Total Disbursements:	\$ <u>83,703</u>
Balance, December 31, 2020	
Cash and Cash Equivalents	\$ <u><u>1,303,039</u></u>

**THE MORRIS COUNTY IMPROVEMENT AUTHORITY
 COMBINED STATEMENT OF NET ASSETS
 FOR THE FISCAL YEAR ENDED 2020**

*Summary or Synopsis of audit report of the Morris County Improvement Authority
 for the year ended December 31, 2020 as required by N.J.S. 40A:5A-16.*

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Operating Assets:		
Cash, Cash Equivalents, Investments and Other Assets	\$ <u>1,303,039</u>	\$ <u>477,845</u>
Total Assets	<u><u>1,303,039</u></u>	<u><u>477,845</u></u>
Liabilities		
Accounts Payable	\$ <u>619</u>	\$ <u>561</u>
Net Position:		
Unrestricted		
Designated	739,185	
Undesignated	<u>563,235</u>	<u>477,284</u>
Total Net Position	\$ <u>1,302,420</u>	<u>477,284</u>

**THE MORRIS COUNTY IMPROVEMENT AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED 2020**

*Summary or Synopsis of audit report of the Morris County Improvement Authority
for the year ended December 31, 2020 as required by N.J.S. 40A:5A-16.*

**THE MORRIS COUNTY IMPROVEMENT AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED 2020**

*Summary or Synopsis of audit report of the Morris County Improvement Authority
for the year ended December 31, 2020 as required by N.J.S. 40A:5A-16 .*

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Administrative Fees	\$ <u>120,075</u>	\$ <u>71,811</u>
	<u>120,075</u>	<u>71,811</u>
Operating Expenses:		
Administration, Operating and Maintenance	<u>35,153</u>	<u>56,949</u>
	<u>35,153</u>	<u>56,949</u>
Operating Income	<u>84,922</u>	<u>14,862</u>
Non-Operating Revenues (Expenditures):		
Interest on Investments	824	5,051
Proceeds for Debt Service	787,793	
Payments for Conduit Debt	(48,608)	
Proceeds from Other Sources	<u>205</u>	<u>15,875</u>
Total Non-Operating Revenues	<u>740,214</u>	<u>20,926</u>
Change in Net Position	825,136	35,788
Net Position, January 1,	<u>477,284</u>	<u>441,496</u>
Net Position, December 31,	\$ <u><u>1,302,420</u></u>	\$ <u><u>477,284</u></u>