

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, 2021
WITH INDEPENDENT AUDITOR'S REPORT

MORRIS COUNTY IMPROVEMENT AUTHORITY

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MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
ROSTER OF OFFICIALS
DECEMBER 31, 2021

<u>COMMISSIONERS</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
John Bonanni	Chairperson	February 1, 2022
Christina Ramirez	Vice Chairperson	February 1, 2023
Ellen Sandman	Secretary	February 1, 2024
Beti Bauer	Treasurer	February 1, 2026
Scott Gallopo	Assistant Secretary	February 1, 2025

McManimon, Scotland & Baumann LLC	General Counsel and Bond Counsel
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Wielkottz and Company LLC	Auditor
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Acacia Financial Group, Inc.	Financial Advisor
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NW Financial Group, LLC	Financial Advisor
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WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900
OFFICE@W-CPA.COM

ROCKAWAY OFFICE
100 ENTERPRISE DRIVE
SUITE 301
ROCKAWAY, NEW JERSEY 07866
(973)-835-7900

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

Opinion

We have audited the accompanying statement of net position of the Morris County Improvement Authority (a component unit of the County of Morris), as of December 31, 2021 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.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Morris County Improvement Authority 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 opinion.



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.

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 Morris County Improvement Authority'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement 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 Authority'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 opinions on the financial statements that collectively comprise the Morris County Improvement Authority's basic financial statements. The supplemental schedules are presented for purposes of additional analysis, as required by the Division of Local Government Services and are not a required part of the financial statements.

The supplemental schedules as listed in the table of contents are the responsibility of management and were derived from and relate 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 basic financial statements and certain additional procedures, including comparing and reconciling



Honorable Chairperson and Commissioners
Morris County Improvement Authority
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such information directly to the underlying accounting and other records used to prepare the basic 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 supplementary information, as 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 May 27, 2022 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 the 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.

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

May 27, 2022



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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, 2021. 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, 2021

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>2021</u>	<u>FY</u> <u>2020</u>
ASSETS		
Current and Other Assets	\$ <u>2,080,854</u>	\$ <u>1,303,039</u>
Total Assets	\$ <u>2,080,854</u>	\$ <u>1,303,039</u>
LIABILITIES and RESERVES		
Accounts Payable	\$ <u>13,610</u>	\$ <u>619</u>
NET POSITION		
Unrestricted		
Designated	\$ 1,374,474	\$ 739,185
Undesignated	<u>692,770</u>	<u>563,235</u>
Total Net Position	\$ <u>2,067,244</u>	\$ <u>1,302,420</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
DECEMBER 31, 2021

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

	FY <u>2021</u>	FY <u>2020</u>
Operating Revenues	\$ 132,197	\$ 120,075
Non-Operating Revenues	<u>833,902</u>	<u>788,822</u>
Total Revenues	\$ <u>966,099</u>	\$ <u>908,897</u>
Operating Expenses	\$ 33,678	\$ 35,153
Non-Operating Expenses	<u>167,597</u>	<u>48,608</u>
Total Expenses	\$ <u>201,275</u>	\$ <u>83,761</u>
Change in Net Position	\$ <u>764,824</u>	\$ <u>825,136</u>
Beginning Net Position	\$ <u>1,302,420</u>	\$ <u>477,284</u>
Ending Net Position	\$ <u><u>2,067,244</u></u>	\$ <u><u>1,302,420</u></u>

As can be seen in the above table, net position increased by \$764,824 and increased by \$825,136 in 2021 and 2020, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
DECEMBER 31, 2021

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 2021 and 2020, respectively:

Budget vs. Actual
December 31,

	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Administrative Fees	\$ 75,000	\$ 132,197	\$ 75,000	\$ 120,075
Participant Contributions				
for Debt Service	39,700,070	39,700,070	39,912,094	39,912,094
Other Revenues	400	833,902	400	788,822
Net Position Anticipated	<u>105,275</u>	<u>105,275</u>	<u>105,050</u>	<u>105,050</u>
	<u>\$ 39,880,745</u>	<u>\$ 40,771,444</u>	<u>\$ 40,092,544</u>	<u>\$ 40,926,041</u>
<u>Appropriations</u>				
Administration Expenses	\$ 180,675	\$ 33,678	\$ 180,450	\$ 35,153
Non-Operating Appropriations:				
Principal Payments on				
Conduit Debt Service	30,285,000	30,285,000	30,015,000	30,015,000
Interest on Conduit Debt	<u>9,415,070</u>	<u>9,415,070</u>	<u>9,897,094</u>	<u>9,897,094</u>
	<u>\$ 39,880,745</u>	<u>\$ 39,733,748</u>	<u>\$ 40,092,544</u>	<u>\$ 39,947,247</u>

DEBT ADMINISTRATION

The Authority has been aggressive in attracting conduit debt issues. At December 31, 2021, there is \$219,310,000 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, 2021

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, 2021

Exhibit A

ASSETS

Current Assets:

Unrestricted:

Cash and Cash Equivalents \$ 2,080,854

Total Current Assets \$ 2,080,854

TOTAL ASSETS \$ 2,080,854

LIABILITIES

Accounts Payable \$ 13,610

NET POSITION

Unrestricted

Designated \$ 1,374,474

Unassigned 692,770

TOTAL NET POSITION & LIABILITIES \$ 2,067,244

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 REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
DECEMBER 31, 2021

Exhibit B

Operating Revenues	
Administrative Fees	\$ <u>132,197</u>
Total Operating Revenues	\$ <u>132,197</u>
Operating Expenses	
Administrative	\$ <u>33,678</u>
Total Operating Expenses	\$ <u>33,678</u>
Operating Income (Loss)	\$ <u>98,519</u>
Non-Operating Revenues (Expenses)	
Payments for Conduit Debt	\$ (167,597)
Proceeds for Debt Service	802,886
Proceeds from Other Sources	<u>31,016</u>
Total Non-Operating Revenues (Expenses)	\$ <u>666,305</u>
Change in Net Position	\$ <u>764,824</u>
Net Position, January 1,	\$ <u>1,302,420</u>
Net Position, December 31,	\$ <u><u>2,067,244</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, 2021

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from customers	\$ 132,197
Cash payments to suppliers for goods and services	(20,687)
Net cash used for Operating Activities	<u>\$ 111,510</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Other Sources	\$ 31,016
Cash receipts to Pay Debt Service	802,886
Cash payments for Debt Service Expenses	(167,597)
Net cash provided by Non-Operating Activities	<u>\$ 666,305</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ 777,815
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CASH AND CASH EQUIVALENTS, JANUARY 1,	\$ <u>1,303,039</u>
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CASH AND CASH EQUIVALENTS, DECEMBER 31,	\$ <u><u>2,080,854</u></u>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Income (Loss)	\$ 98,519
Increase/(Decrease) in Accounts Payable	<u>12,991</u>

NET CASH USED FOR OPERATING ACTIVITIES	\$ <u><u>111,510</u></u>
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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, 2021

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, 2021

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:

- *Net Investment in Capital Assets* - 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 "net investment in capital assets."

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the Authority did not own any property, plant, or equipment.

H. Recent Accounting Pronouncements

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 (AP As). 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.

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

MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Recent Accounting Pronouncements, (continued)

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.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

MORRIS COUNTY IMPROVEMENT AUTHORITY
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Recent Accounting Pronouncements, (continued)

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In October 2021, the Government Accounting Standards Board issued GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021, though earlier application is encouraged. The Authority has reviewed this Statement and does not believe it will impact future financial reporting.

In April 2022, the Government Accounting Standards Board issued GASB Statement No. 99, Omnibus 2022. The Objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology

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Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, Basic Financial Statements- and Management's Discussion Analysis-for State and Local Governments, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmentary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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.

MORRIS COUNTY IMPROVEMENT AUTHORITY
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CONDUIT DEBT OBLIGATIONS, (continued)

The aggregate principal amounts outstanding on this debt at December 31, 2021 are as follows:

<u>Bonds:</u>		<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Refunded</u>	<u>2021</u>
Newton	Series 2009 (Note 2A)	\$ 895,000		\$ 405,000		\$ 490,000
Refunding Bonds	Series 2010 (Note 2B)	3,885,000		1,320,000		2,565,000
Renewable Energy 2011A	Series 2011 (Note 2U)	15,995,000		2,285,000	13,710,000	
Pooled Program Lease Revenue	Series 2011 (Note 2C)	8,525,000		1,090,000	7,130,000	305,000
Pooled ERI Refunding Bonds	Series 2011	335,000		335,000		
Sussex Renewable Energy	Series 2011 (Note Q)	12,915,000		1,845,000	11,070,000	
School District Revenue Refunding	Series 2012 (Note 2D)	3,550,000		1,740,000		1,810,000
Pooled Program Bonds, 2012A	Series 2012A (Note 2E)	14,100,000		730,000	12,620,000	750,000
Pooled Program Bonds, 2012B	Series 2012B (Note 2F)	4,390,000		580,000	3,215,000	595,000
Denville Refunding 2013	Series 2013 (Note 2G)	3,370,000		1,075,000		2,295,000
Lease Revenue Bonds (Refunded)	Series 2015 (Note 2H)	965,000		235,000		730,000
County Refunding Bonds	Series 2015 (Note 2I)	5,890,000		2,465,000		3,425,000
County General Improvement Bonds	Series 2015 (Note 2J)	17,245,000		5,700,000		11,545,000
Sussex Renewable Energy 2015	Series 2015 (Note 2K)	3,980,000		605,000		3,375,000
Refunding (Lincoln Park)	Series 2016 (Note 2L)	14,530,000		1,055,000		13,475,000
Drew University Project	Series 2017 (Note 2M)	83,515,000				83,515,000
Renewable Energy Refunding Bonds	Series 2019 (Note 2N)	6,750,000		1,355,000		5,395,000
Rockaway Borough Board of Education	Series 2020 (Note 2O)	10,935,000		540,000		10,395,000
Morris Hills Regional District Project	Series 2020 (Note 2P)	17,145,000		405,000		16,740,000
Sussex Renewable Energy Refunding Bonds	Series 2021 (Note 2Q)		10,500,000	135,000		10,365,000
Pooled Program Bonds	Series 2021 (Note 2R)		8,930,000	500,000		8,430,000
Pooled Program Refunding Bonds	Series 2021 (Note 2S)		23,915,000			23,915,000
Whippany Fire District Loan Revenue	Series 2021 (Note 2T)		5,200,000			5,200,000
Renewable Energy Refunding Bonds	Series 2021 (Note 2U)		13,995,000			13,995,000
		\$ 228,915,000	\$ 62,540,000	\$ 24,400,000	\$ 47,745,000	\$ 219,310,000

Notes:

Whippany Fire District Notes	\$ 5,885,000	\$ 5,885,000
	\$ 5,885,000	\$ 5,885,000
<u>Total Bonds and Notes</u>	\$ 234,800,000	\$ 234,800,000

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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. 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

On February 11, 2021, these bonds were defeased in full with the issuance of the Pooled Program Refunding Bonds, Series 2021.

D. 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%

MORRIS COUNTY IMPROVEMENT AUTHORITY
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2. CONDUIT DEBT OBLIGATIONS, (continued)

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%.

E. 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

On February 11, 2021, these bonds were defeased in full with the issuance of the Pooled Program Refunding Bonds, Series 2021.

F. 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").

On February 11, 2021, these bonds were defeased in full with the issuance of the Pooled Program Refunding Bonds, Series 2021.

G. 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.

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2. CONDUIT DEBT OBLIGATIONS, (continued)

H. 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

I. 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.

J. 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.

MORRIS COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
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2. CONDUIT DEBT OBLIGATIONS, (continued)

K. 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.

L. 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.

M. 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.

N. 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.

O. 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

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2. CONDUIT DEBT OBLIGATIONS, (continued)

is secured by a full unconditional irrevocable guarantee by the County.

P. 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.

Q. 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.

R. 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.

S. 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.

T. 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.

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2. CONDUIT DEBT OBLIGATIONS, (continued)

U. 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.

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>
2022	\$ 22,560,000	\$ 8,616,116	\$ 31,176,116
2023	22,350,000	7,897,452	30,247,452
2024	17,935,000	7,274,573	25,209,573
2025	14,970,000	6,852,764	21,822,764
2026	12,605,000	6,492,866	19,097,866
2027-2031	42,645,000	27,768,858	70,413,858
2032-2036	26,910,000	21,123,392	48,033,392
2037-2041	25,360,000	14,669,409	40,029,409
2042-2046	27,575,000	7,246,200	34,821,200
2047	6,400,000	400,000	6,800,000
	<u>\$ 219,310,000</u>	<u>\$ 108,341,631</u>	<u>\$ 327,651,631</u>

Long Term Portion \$ 196,750,000

Short Term Portion 22,560,000

Total \$ 219,310,000

V. 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.

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2. CONDUIT DEBT OBLIGATIONS, (continued)

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. 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, 2021, one local unit had closed on transactions, they are as follows:

Montville Township, Board of Education	\$ <u>307,216</u>
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Over the life of the County Guaranteed Leasing Program, \$58,388,167 of lease financing has been loaned. Payments totaling \$56,529,702 have been made and \$28,141,535 of the \$30,000,000 authorized is available for the program, as of December 31, 2021.

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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, 2021, \$0- of the Authority's bank balance of \$2,087,082 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
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4. SUBSEQUENT EVENTS

The Authority is planning to defease the County of Morris Guaranteed Lease Revenue Refunding Bonds, Series 2015 in 2022.

The Authority has evaluated subsequent events through May 27, 2022, the date which the financial statements were available to be issued and no other items, except as noted above, were noted for disclosure.

5. COMMITMENTS AND CONTINGENT LIABILITIES

The Authority's attorney has informed management that there are no material commitments or contingencies as of the date of this report.

SUPPLEMENTARY DATA

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 DECEMBER 31, 2021

Schedule 1

GOVERNMENTAL FUND

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	2021 Actual	Excess/ Deficit
<u>REVENUES</u>				
Administrative Fees	\$ 75,000	\$ 75,000	\$ 132,197	\$ 57,197
Participant Contributions for Debt Service	39,914,480	39,700,070	39,700,070	
Other Revenues	400	400	833,902	833,502
Net Position Anticipated	<u>105,275</u>	<u>105,275</u>	<u>105,275</u>	
	<u>\$ 40,095,155</u>	<u>\$ 39,880,745</u>	<u>\$ 40,771,444</u>	<u>\$ 890,699</u>

APPROPRIATIONS

Administration:				
Administration Expenses	\$ 180,675	\$ 180,675	\$ 33,678	\$ 146,997
Non-Operating Appropriations				
Principal Payments on Conduit Debt Service	29,650,000	30,285,000	30,285,000	
Interest on Conduit Debt	<u>10,264,480</u>	<u>9,415,070</u>	<u>9,415,070</u>	
	<u>\$ 40,095,155</u>	<u>\$ 39,880,745</u>	<u>\$ 39,733,748</u>	<u>\$ 146,997</u>

**Excess or (Deficit) in Actual Revenues
and Expenses**

\$ 1,037,696

Reconciliation of Budgetary Basis To

Change in Net Position:

Net Position Anticipated: (105,275)

Non-Operating Expenses:

Payments for Conduit Debt (167,597)

Change in Net Position

\$ 764,824

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 DECEMBER 31, 2021

Schedule 2

Balance, December 31, 2021

Cash and Cash Equivalents	\$	<u>1,303,039</u>
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Increased by Receipts:

Administrative Fees	\$	132,197
Proceeds from Other Sources		31,016
Receipts for Payments of Debt Service		<u>802,886</u>

Total Receipts:

	\$	<u>966,099</u>
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	\$	<u>2,269,138</u>
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Decreased by Disbursements:

Operating Expenses	\$	20,687
Payments for Debt Service Expenses		<u>167,597</u>

Total Disbursements:

	\$	<u>188,284</u>
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Balance, December 31, 2021

Cash and Cash Equivalents	\$	<u><u>2,080,854</u></u>
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MORRIS COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Morris)

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PART II

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2021



WIELKOTZ & COMPANY ^{LLC}

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900
OFFICE@W-CPA.COM

ROCKAWAY OFFICE
100 ENTERPRISE DRIVE
SUITE 301
ROCKAWAY, NEW JERSEY 07866
(973)-835-7900

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Morris County Improvement Authority, (the "Authority"), a Component Unit of the County of Morris, in the County of Morris, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 27, 2022.

Internal Control Over Financial Reporting

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

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



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

Compliance and Other Matters

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

Purpose of this Report

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

Wielkatz & Company, LLC

Wielkatz & Company, LLC
Certified Public Accountants

Pompton Lakes, New Jersey

May 27, 2022



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

GENERAL COMMENTS

Contracts and agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsection b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00. On July 1, 2020 this amount was increased to \$44,000.00 with a qualified purchasing agent.

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

GENERAL COMMENTS (CONTINUED)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (continued)

The Commissioners of the Authority have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Authorities' Attorney's opinion should be sought before a commitment is made.

The minutes indicated the bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5 for Auditor, Attorney, Financial Advisor and Bond Counsel.

Inasmuch as the system of records did not provide for the accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. None were noted.

Our review of the Authority's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

**COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2021**

Comments

None

Recommendations

None

STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS

There were no prior year audit findings/recommendations.

We wish to thank the Morris County Improvement Authority for their cooperation during the performance of our audit.

Respectfully submitted,

Wielkottz & Company, LLC

Wielkottz & Company, LLC
Certified Public Accountants

May 27, 2022