

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
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FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Township of Woodbridge as of September 30, 2013 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 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 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the Township of Woodbridge's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of capital fund program costs and advances and the financial data schedule are also not required parts of the financial statements and are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards, notes to schedule of expenditures of federal awards, schedule of findings and questioned costs, schedule of capital fund program costs and advances and the financial data schedule are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, notes to schedule of expenditures of federal awards, schedule of findings and questioned costs, schedule of capital fund program costs and advances and the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of the Housing Authority of the Township of Woodbridge'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 Housing Authority of the Township of Woodbridge's internal control over financial reporting and compliance.

March 21, 2014
Toms River, New Jersey

Fallon & Larsen LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

As Management of the Housing Authority of the Township of Woodbridge (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A Financial Highlights

1. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$20,761,267 (net position) as opposed to \$20,858,677 (as restated) for the prior fiscal year.
2. At the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$3,266,119 an increase of \$113,783 from the prior fiscal year.
3. The Authority's unrestricted cash and cash equivalents balance at September 30, 2013 was \$4,080,525 representing an increase of \$394,160 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$11,636,515 and Total Operating Expenses of \$11,757,248 (including depreciation of \$493,925) for the year ended September 30, 2013.
5. The Authority's capital outlays for the fiscal year were \$1,188,606.
6. The Authority's Expenditures of Federal Awards amounted to \$8,815,421 for the fiscal year.

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

B. Using the Annual Report (continued)

2. Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

Statement of Cash Flows report the Authority's cash flows from operating, investing, capital and non-capital activities.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The basic financial statements can be found on pages 11 through 14.

3. Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

B. Using the Annual Report (continued)

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 37 of this report.

C. The Authority as a Whole

The Authority's net position decreased during the fiscal year as detailed on the following page. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses, excluding depreciation during the fiscal year.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants consequently these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Computations of Net Position are as follows:

	As of	
	<u>9/30/2013</u>	<u>9/30/2012</u>
Cash and Other Assets	\$ 6,094,299	\$ 6,989,100
Capital Assets – Net	<u>22,900,059</u>	<u>22,205,378</u>
Total Assets	28,994,358	29,194,478
Less: Current Liabilities	1,117,914	760,668
Less: Long Term Liabilities	<u>7,115,177</u>	<u>7,575,133</u>
Net Position	<u>\$ 20,761,267</u>	<u>\$ 20,858,677</u>
Net Investment in Capital Assets	\$ 17,200,432	\$ 17,280,687
Restricted Net Position	294,716	425,654
Unrestricted Net Position	<u>3,266,119</u>	<u>3,152,336</u>
Net Position	<u>\$ 20,761,267</u>	<u>\$ 20,858,677</u>

Computations of Changes in Net Position are as follows:

	Year Ended	
	<u>9/30/2013</u>	<u>9/30/2012</u>
<u>Operating Revenues</u>		
Tenant Revenues	\$ 2,367,202	\$ 2,323,886
HUD and other Government Grants	7,088,333	6,732,552
Other Revenues	<u>2,180,980</u>	<u>1,725,678</u>
Total Operating Revenues	11,636,515	10,782,116
<u>Operating Expenses</u>		
Other Operating Expenses	5,402,442	4,977,620
Housing Assistance Payments	5,860,881	5,936,076
Depreciation Expense	<u>493,925</u>	<u>342,086</u>
Total Operating Expenses	11,757,248	11,255,782
Operating Income (Loss)	<u>(120,733)</u>	<u>(473,666)</u>
<u>Non-Operating Revenues:</u>		
Interest on Investments	10,807	12,276
Interest Expense	(290,640)	(277,971)
HUD Capital Grants	<u>303,156</u>	<u>434,427</u>
Total Non-oper-Rev (Expenses)	23,323	168,732
Change in Net Position	(97,410)	(304,934)
Net Position – Beginning of Year (as restated)	<u>20,858,677</u>	<u>21,163,611</u>
Net Position - End of Year	<u>\$ 20,761,267</u>	<u>\$ 20,858,677</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

C. The Authority as a Whole (continued)

1. Cash and Other Assets decreased from \$6,989,100 at September 30, 2012 to \$6,094,299 at September 30, 2013 or \$894,801. This decrease is primarily due to a reduction of restricted cash in the amount of \$1,147,294. At September 30, 2012, the Authority had \$2,498,260 of proceeds from borrowings on their Energy Performance Contract on hand. As of September 30, 2013, that amount was reduced to \$1,471,801.
2. Capital assets, net increased \$459,956 as \$1,188,606 in Authority capital purchases were offset by \$493,925 in annual depreciation expense.
3. Current liabilities increased \$357,246 from \$760,668 in 2012 to \$1,117,914 in 2013. This was primarily due to the current portion of long-term debt increasing \$183,783 due to the payments on the Energy Performance Loan and prepaid revenues increasing \$169,975 as the result of the Low Rent Public Housing program receiving their fourth quarter subsidy in September, 2013.
4. Restricted net position decreased from \$425,654 in 2012 to \$294,716 or \$130,938 primarily due to the Authority spending housing assistance payments reserves.
5. HUD and other government grants increased from \$6,732,552 in 2012 to \$7,088,333 in 2013 or \$355,781. The Authority utilized \$540,703 more in Low Rent Public Housing Program / Capital Fund subsidy in 2013 than in 2012 which was offset by a reduction in Housing Choice Voucher program subsidy of \$169,229.
6. Other operating expenses increased \$424,822 from 2012 to 2013 primarily due to the following:
 - Administrative expenses increased \$149,581 primarily due to an increase in salaries and employee benefit costs.
 - Maintenance expenses increased \$322,327 primarily due to increases in contract costs of \$308,600.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

D. Budgetary Highlights

For the year ended September 30, 2013, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. These budgets were primarily used as a management tool and have no legal stature. Also, the Authority adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E. Capital Assets and Debt Administration

1. Capital Assets

As of September 30, 2013, the Authority's investment in capital assets was \$22,900,059 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Program as well as their Energy Performance contract.

2. Long Term Debt

In 2007, the Authority financed a portion of their future capital fund allocation to participate in a debt leveraging pool with various Housing Authorities in the State of New Jersey. The Capital Fund Program Revenue Bonds "The Bonds" were sponsored by the New Jersey Housing and Mortgage Finance Agency. The leveraging provided the Authority with \$3,825,000 to be used to fund various capital improvements throughout the Authority. The debt service on the bonds will be paid from future capital grants funded by the United States Department of Housing and Urban Development. The bonds will begin to mature in May, 2008 and continue to be paid through November 2028. Bonds maturing during the fiscal year ended September 30, 2013 amounted to \$150,000.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

E. Capital Assets and Debt Administration (continued)

2. Long Term Debt (continued)

The Authority financed the purchase and installation of energy efficient improvements to its public housing properties through a loan with a bank. The original amount of the loan was \$4,234,172. The loan is payable in quarterly installments including interest at 3.92% and maturing in 2026.

F. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2014.

1. The state of the economy and the possible cut-back on HUD subsidies and grants.
2. The Authority's Unrestricted Net Position of \$3,266,119 may be used to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants. The Authority's Unrestricted Net Position appears sufficient to cover any shortfall.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kathleen DiTomasso, Director of Finance, Housing Authority of the Township of Woodbridge, 20 Bunns Lane, Woodbridge, NJ 07095.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2013

ASSETS

Current assets:	
Cash and cash equivalents	\$ 4,080,525
Accounts receivable, net	81,321
Prepaid expenses	45,554
Inventory	<u>39,815</u>
Total current assets	<u>4,247,215</u>
Non-current assets:	
Restricted cash and cash equivalents	1,847,084
Capital assets, net	<u>22,900,059</u>
Total non-current assets	<u>24,747,143</u>
Total assets	<u>28,994,358</u>

LIABILITIES

Current liabilities:	
Accounts payable	199,740
Accrued expenses	198,131
Accrued compensated absences	17,766
Tenant security deposits	178,889
Prepaid revenues	189,605
Current portion of long term debt	<u>333,783</u>
Total current liabilities	<u>1,117,914</u>
Non-current liabilities:	
Long-term debt, net of current portion	6,837,645
Accrued compensated absences, net of current portion	145,375
Other liabilities	<u>132,157</u>
Total non-current liabilities	<u>7,115,177</u>
Total liabilities	<u>8,233,091</u>

NET POSITION

Net position:	
Net investment in capital assets	17,200,432
Restricted	294,716
Unrestricted	<u>3,266,119</u>
Total net position	<u>\$ 20,761,267</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Operating revenues:	
Tenant revenue	\$ 2,367,202
HUD operating grants	7,022,834
Other government grants	65,499
Other revenues	<u>2,180,980</u>
Total operating revenues	<u>11,636,515</u>
Operating expenses:	
Administrative	2,071,166
Tenant services	98,546
Utilities	1,112,159
Ordinary maintenance and operations	1,683,074
Insurance and general expenses	264,700
Payments in lieu of taxes	125,504
Housing assistance payments	5,860,881
Extraordinary maintenance	47,293
Depreciation	<u>493,925</u>
Total operating expenses	<u>11,757,248</u>
Operating income (loss)	(120,733)
Non-operating revenues (expenses):	
Interest income	10,807
Interest of mortgage (or bonds) payable	<u>(290,640)</u>
Net non-operating revenue (expense)	<u>(279,833)</u>
Income (loss) before capital grants	<u>(400,566)</u>
Capital grants	<u>303,156</u>
Change in net position	(97,410)
Total net position, beginning of year (as restated)	<u>20,858,677</u>
Total net position, end of year	<u>\$ 20,761,267</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Cash Flows from Operating Activities:	
Cash received from tenants	\$ 4,765,767
Cash received from grantors	7,174,975
Cash paid to suppliers	(9,321,107)
Cash paid to employees	<u>(1,933,866)</u>
Net cash flows provided (used) by operating activities	<u>685,769</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(1,188,606)
Payment of long term debt interest	(293,171)
Payment of long term debt	(271,089)
Proceeds from capital grants	<u>303,156</u>
Net cash flows provided (used) by capital and related financing activities	<u>(1,449,710)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>10,807</u>
Net cash flows provided (used) by investing activities	<u>10,807</u>
Net increase (decrease) in cash	(753,134)
Cash and cash equivalents, beginning of year	<u>6,680,743</u>
Cash and cash equivalents, end of year	<u>\$ 5,927,609</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:	
Cash and cash equivalents	\$ 4,080,525
Restricted cash	<u>1,847,084</u>
Cash and cash equivalents at end of year	<u>\$ 5,927,609</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Reconciliation of operating gain (loss) to net cash
provided (used) by operating activities:

Operating gain (loss)	\$ (120,733)
Items which did not use cash:	
Depreciation	493,925
Bad debts	8,532
Changes in operating assets and liabilities:	
Accounts receivable - tenants	13,996
Accounts receivable - HUD	86,642
Accounts receivable - other	16,550
Inventory	(39,815)
Prepaid expenses	55,762
Accounts payable	(22,184)
Accrued expenses	19,435
Accrued compensated absences	(12,170)
Tenant security deposits	8,532
Deferred revenues	169,975
Other liabilities	<u>7,322</u>
Net cash provided (used) by operating activities	<u>\$ 685,769</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the Township of Woodbridge ("the Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Township of Woodbridge. The Authority is responsible for operating certain low-rent housing programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

B. Description of Programs

The following programs are operated by the Authority:

Low Rent Public Housing Program

The public housing program is designed to provide low-cost housing. Under this program, HUD provides funding via an annual contributions contract. These funds are available solely to meet the operating expenses of the program.

Housing Choice Voucher Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under the Housing Choice Voucher Program. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Programs (continued)

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

Congregate Housing Services Program

The purpose of the Congregate Housing Services Program provides selected supportive services to low-income elderly persons or adults with disabilities, residing in certain subsidized housing facilities. Funding for this program is provided by the State of New Jersey.

Community Development Block Grant

The Community Development Block Grant program is a flexible program that provides communities with resources to address community development needs. Funding for this program is provided by grants from HUD.

C. Reporting Entity

In accordance with statement No. 39 Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Housing Authority of the Township of Woodbridge and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

- ◆ The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
- ◆ The Authority has the ability to access a majority of the economic resources held by the separate organization.
- ◆ The economic resources referred to above are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, ("GASB 34") as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

All enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions and Accounting Research Bulletins issued that do not conflict with or contradict GASB Pronouncements.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

On January 30, 2008, HUD issued PIH Notice 2008-9 which among other things clarifies HUD's reporting position that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net assets, with the associated assets being reported on the FDS as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. Investment income earned on HAP cash balances is credited to the HAP restricted net position and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

E. Use of Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment and contingencies. Actual results could differ significantly from these estimates.

F. Cash, cash equivalents and investments

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash, cash equivalents and investments (continued)

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

G. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

H. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

I. Inventory

Inventory, shown net of a valuation allowance of \$489, consists mainly of appliances and is valued at its lower of cost or market using the average cost method.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- Buildings 40 Years
- Furniture and Equipment 3-5 Years

The Authority has established a capitalization threshold of \$1,000.

K. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees are compensated for sick leave and vacation time, up to 30 days combined, at retirement or termination at their current salary.

L. Prepaid Revenue

The Authority's prepaid revenue primarily consists of the prepayment of rent by residents and the receipt of HUD and other governmental program funding applicable to future periods.

M. Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes.

N. Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

P. Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

Q. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets - 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.

Restricted - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

R. Budgets and Budgetary Accounting

The Authority is required to annually adopt an operating budget in accordance with the statutes of the State of New Jersey. The Authority is also required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

S. Economic Dependency

The Housing Choice Voucher and Low Rent Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2. CASH AND CASH EQUIVALENTS

At September 30, 2013, the Authority had funds on deposit in checking and money market accounts.

All bank deposits are entirely covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

For the fiscal year ended September 30, 2013, the carrying amount of the Authority's cash and cash equivalents and restricted cash was \$5,927,609 and the bank balances approximated \$6,061,090.

Of the bank balances, \$501,347 were covered by federal depository insurance and the remaining \$5,559,743 were collateralized with the pledging financial institution for the fiscal year ended September 30, 2013.

<u>Description</u>	
Insured:	
FDIC	\$ 501,347
Collateralized:	
Collateralized amount held by pledging financial institution	<u>5,559,743</u>
	<u>\$ 6,061,090</u>

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 does not have a formal policy for custodial credit risk. As of September 30, 2013, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30, 2013:

<u>Description</u>	<u>Amount</u>
Accounts receivable - tenants	\$ 24,223
Accounts receivable - other government	48,061
Accounts receivable - miscellaneous	<u>9,037</u>
Total accounts receivable	<u>\$ 81,321</u>

Accounts receivable - tenants consist amounts due for rent and other charges.

Accounts receivable - other government consists of amounts due from the State of New Jersey for the Congregate Housing Program.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 3. ACCOUNTS RECEIVABLE (continued)

Accounts receivable - miscellaneous consist of amounts due from tenants and vendors for miscellaneous charges and reimbursements.

Management estimates that all accounts receivable are fully collectable and as such has made no allowance for doubtful accounts.

NOTE 4. RESTRICTED CASH

Restricted cash consists of the following at September 30, 2013.

Cash Category

ESCO proceeds	\$ 1,471,801
Capital fund leveraging proceeds	1,347
HCV FSS escrow payments	80,570
HCV HAP reserves	<u>293,369</u>
	<u>\$ 1,847,087</u>

Energy performance contract proceeds are restricted for use in the installation of energy saving improvements in the Low Rent Public Housing Program.

Capital fund debt leveraging proceeds are restricted for use in the Low Rent Public Housing Program in accordance with the Authority's annual plan.

Family Self Sufficiency ("FSS") program escrows are restricted for use in the Housing Choice Voucher Program by FSS program participants.

HCV housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Programs for future housing assistance payments.

NOTE 5. TENANT SECURITY DEPOSITS

Tenant security deposits represent amounts held by the Authority on behalf of tenants participating in the Low Rent Public Housing Program. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6. CAPITAL ASSETS, NET

A summary of the changes in capital assets during the years ended September 30, 2013 were as follows:

Description	September 30, 2012	Additions	Disposals	Transfers	September 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,581,623	\$ -	\$ -	\$ -	\$ 1,581,623
Construction in progress	<u>10,592,681</u>	<u>1,179,310</u>	<u>-</u>	<u>(5,777,014)</u>	<u>5,994,977</u>
Total	<u>12,174,304</u>	<u>1,179,310</u>	<u>-</u>	<u>(5,777,014)</u>	<u>7,576,600</u>
<u>Depreciable capital assets:</u>					
Building and Improvements	30,193,591	-	-	5,745,728	35,939,319
Furniture and equipment	<u>641,048</u>	<u>9,296</u>	<u>-</u>	<u>31,286</u>	<u>681,630</u>
Total	<u>30,834,639</u>	<u>9,296</u>	<u>-</u>	<u>5,777,014</u>	<u>36,620,949</u>
Less: accumulated depreciation	<u>20,803,565</u>	<u>493,925</u>	<u>-</u>	<u>-</u>	<u>21,297,490</u>
Net capital assets	<u>\$ 22,205,378</u>	<u>\$ 694,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,900,059</u>

Depreciation expense for the year ended September 30, 2013 amounted to \$493,925.

NOTE 7. PAYMENTS IN LIEU OF TAXES

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Township of Woodbridge. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. For the year ended September 30, 2013, the Authority incurred PILOT expenses in the amount of \$125,504. At September 30, 2013, these amounts remain due and are included in accounts payable - other government.

NOTE 8. ACCRUED EXPENSES

As of September 30, 2013, the Authority has a total accrued expense balance of \$198,131, which consisted of the following:

<u>Description</u>	
Accrued wage/payroll taxes payable	\$ 11,570
Accrued interest payable	85,253
Accrued utilities expenses	<u>101,308</u>
Total accrued expenses	<u>\$ 198,131</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9. LONG TERM OBLIGATIONS

Long term liabilities had the following activity for the years ended September 30, 2013:

	September 30, 2012	Additions	Retirements	September 30, 2013	Due in One Year
Accrued compensated absences	\$ 157,781	\$ 205,528	\$ 200,168	\$ 163,141	\$ 17,766
HCV FSS escrow	70,464	76,603	66,497	80,570	80,570
LRPH CFP bond premium	54,369	-	2,782	51,587	3,224
Bonds and loans payable	<u>7,442,517</u>	<u>-</u>	<u>271,089</u>	<u>7,171,428</u>	<u>333,783</u>
	<u>\$ 7,725,131</u>	<u>\$ 282,131</u>	<u>\$ 540,536</u>	<u>\$ 7,466,726</u>	<u>\$ 435,343</u>

NOTE 10. BONDS AND LOANS PAYABLE

Bonds and loans payable consisted of the following at September 30, 2013:

During 2007, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency ("NJHMFA") issued tax exempt, twenty year Capital Fund Program Revenue Bonds totaling \$18,585,000. The Authority's share of funds from the bond issue pool amounted to \$3,825,000. Interest accrues at rates between 4% and 5% and is payable semi-annually on May 1st and November 1st. Repayment of the funds shall be paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development.

\$ 3,055,002

Loan payable to the TD Equipment Finance, Inc. dated November 11, 2011 in the original amount of \$4,234,172 for the installation of energy saving improvements in the Low Rent Public Housing Program. Principal and interest payments are due monthly including interest at 3.92%. The loan matures on October 30, 2026.

4,116,426

Total bonds and loans payable

7,171,428

Less: current portion

333,783

Bonds and loans payable, excluding current portion

\$ 6,837,645

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 10. BONDS AND LOANS PAYABLE (continued)

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	333,783	284,516	618,299
2015	361,131	271,801	632,932
2016	384,468	257,988	642,456
2017	413,841	243,245	657,086
2018	439,299	227,316	666,615
2019-2023	2,710,145	838,090	3,548,235
2024-2027	<u>2,528,761</u>	<u>228,656</u>	<u>2,757,417</u>
	<u>\$ 7,171,428</u>	<u>\$ 2,351,612</u>	<u>\$ 9,523,040</u>

NOTE 11. RESTRICTED NET POSITION

Restricted net position consists of the following at September 30, 2013 :

<u>Description</u>	
Capital fund leveraging proceeds	\$ 1,347
Housing assistance payments reserves	<u>293,369</u>
Total restricted net assets	<u>\$ 294,716</u>

Capital fund debt leveraging proceeds are restricted for use in the Low Rent Public Housing Program in accordance with the Authority's annual plan.

Energy performance contract proceeds are restricted for use in the installation of energy saving improvements in the Low Rent Public Housing Program.

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for tenant rents.

NOTE 12. PENSION PLAN

A. Description of the Plan

All employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division).

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 12. PENSION PLAN (continued)

A. Description of the Plan (continued)

According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

B. Public Employees Retirement System ("PERS")

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

C. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

D. Contribution Requirements – PERS

The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of NJ legislation. Members contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 for most PERS state employees and effective July 1, 2008 for PERS local employees, based on Chapter 103, P.L. 2007.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 13. PENSION PLAN (continued)

D. Contribution Requirements – PERS (continued)

Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year. For fiscal year 2012, the member contribution rate increased in October 2011. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PERS for payment due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2011	\$ 170,211	100	\$ -
September 30, 2012	\$ 170,300	100	\$ -
September 30, 2013	\$ 170,011	100	\$ -

NOTE 14. POST-RETIREMENT BENEFITS

The Authority participates New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

**HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 14. POST-RETIREMENT BENEFITS (continued)

A. Contribution Requirements – SHBP

A retiree may also receive Authority-paid health benefits in accordance with the Authority's personnel policy if they are sixty-two (62) years of age and have fifteen (15) or more years of service with the Authority. Contributions to pay for the health premiums of participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members, and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996. Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. At September 30, 2013, the Authority had approximately 36 active and 4 retired participants in the system. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions to the SHBP:

<u>Year</u>	<u>Amount</u>
2013	\$ <u>99,371</u>
2012	\$ <u>101,868</u>
2011	\$ <u>102,620</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 15. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2013, the Authority estimates that no material liabilities will result from such audits.

NOTE 16. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets: error and omission, injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the years ended September 30, 2013, 2012 and 2011.

NOTE 17. RETROSPECTIVE CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

The Authority adopted GASB 65 *"Items previously Reported as Assets and Liabilities"* for the fiscal year ended September 30, 2013. The Authority had previously accounted for loan origination costs as an asset as defined by GASB Concepts Statement No. 4, and had maintained records that are adequate to apply GASB 65 retrospectively. GASB 65 requires that loan origination costs be reported as an outflow of resources in the period in which they are realized. The Authority concluded that GASB 65 was the preferable method to account for loan origination fees currently and retrospectively because implementation becomes mandatory in the next accounting cycle and management wanted to take the more conservative and proactive accounting approach.

The effects of the change in accounting principle on net position is that other assets and unrestricted net position decreased \$171,417 as of October 1, 2012.

Beginning unrestricted net position as of October 1, 2012 has also been restated to correct an error in reporting Other Post-Employment Benefit ("OPEB") liability. As a result of the correction, unrestricted net position increased and OPEB liability decreased \$675,580 as of October 1, 2012.

Beginning unrestricted net position as of October 1, 2012 has also been restated to correct an error in reporting a prior year receivable. As a result of the correction, unrestricted net position decreased and accounts receivable decreased \$104,794 as of October 1, 2012.

HOUSING AUTHORITY OF THE TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 18. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through March 21, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**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**

To the Board of Commissioners
Housing Authority of the Township of Woodbridge:

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Housing Authority of the Township of Woodbridge, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Township of Woodbridge's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the Township of Woodbridge'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 Housing Authority of the Township of Woodbridge's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Township of Woodbridge's internal control.

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

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

**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 (continued)**

Compliance and Other Matters

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

Purpose of this Report

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

March 21, 2014
Toms River, New Jersey

Fallon & Larsen LLP