

WOODBIDGE REDEVELOPMENT AGENCY
(A component unit of the Township of Woodbridge)
REPORT OF AUDIT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018

WOODBRIIDGE REDEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Woodbridge Redevelopment Agency
Woodbridge, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Woodbridge Redevelopment Agency, a component unit of the Township of Woodbridge, as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Woodbridge Redevelopment Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Woodbridge Redevelopment Agency as of June 30, 2019 and 2018, and the respective changes in its financial position and its cash flows for the fiscal years 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 identified in the table of contents 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodbridge Redevelopment Agency's basic financial statements as a whole. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 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 supplementary schedule listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2019 on our consideration of the Woodbridge Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Woodbridge Redevelopment Agency's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

**WOODBIDGE REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2019**

This section of the Woodbridge Redevelopment Agency's ("Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on June 30, 2019. Please read it in conjunction with the Agency's basic financial statements and accompanying notes.

The purpose of the Agency is to carryout the redevelopment plans of the Township of Woodbridge.

FINANCIAL HIGHLIGHTS

- The Agency's assets exceeded its liabilities at June 30, 2019 by \$3,041,175.
- The Agency's total assets decreased by \$10,139,260.
- Operating revenues decreased by \$5,588,119.
- Operating expenses increased by \$15,275,022.
- Operating income decreased by \$20,863,141.

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Agency is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Enterprise fund financial statements offer short- and long-term financial information about the activities and operations of the Agency. These statements are presented in the Government Accounting Standards Board ("GASB") prescribed manner.

FINANCIAL ANALYSIS OF THE AGENCY

The following is a summary of the Agency's financial position as of June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 6,106,900	\$ 16,004,605	\$ 3,764,955
Noncurrent Assets	-	241,555	-
Total Assets	<u>6,106,900</u>	<u>16,246,160</u>	<u>3,764,955</u>
Current Liabilities	<u>3,065,725</u>	<u>2,679,619</u>	<u>494,506</u>
Total Liabilities	<u>3,065,725</u>	<u>2,679,619</u>	<u>494,506</u>
Net Position:			
Net Investment in Capital Assets	-	241,555	-
Restricted for Affordable Housing	1,051,845	712,902	2,631,832
Restricted for Red Oak Project	1,866,042	11,726,202	-
Unrestricted	<u>123,288</u>	<u>885,882</u>	<u>638,617</u>
Total Net Position	<u>\$ 3,041,175</u>	<u>\$ 13,566,541</u>	<u>\$ 3,270,449</u>

**WOODBIDGE REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

The Agency's Net Position decreased \$10,525,366, or 78% in fiscal year 2019. Key elements of this change include: i) an decrease of \$241,555 in net investment in capital investments, ii) an increase of \$338,943 in restricted for affordable housing, iii) a decrease of \$9,860,160 in restricted for red oak project and iv) a decrease of \$762,594 in unrestricted net position as of June 30, 2019.

Operating Activities – The following table summarizes the revenues, expenses and changes in net position for the fiscal years ended June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES			
Redevelopers' Reimbursements	\$ 225,883	\$ 231,002	\$ 345,442
Township Contribution - Local Subsidy	150,000	200,000	200,000
Township Affordable Housing Contribution	1,000,000	-	100,000
Avenel Arts Project Contributions	7,076,304	1,009,564	-
Red Oak Project Contributions	-	12,165,220	-
Contribution of Property Held for Redevelopment	-	368,555	-
Intergovernmental Grants	-	2,000	18,000
Miscellaneous Fees	<u>345,628</u>	<u>409,593</u>	<u>282,720</u>
 Total Operating Revenues	 <u>8,797,815</u>	 <u>14,385,934</u>	 <u>946,162</u>
 OPERATING EXPENSES			
Salaries and Wages	193,453	172,360	163,205
Other Expenses	18,937,368	3,797,994	656,053
Disposition of Property Held for Redevelopment	<u>241,555</u>	<u>127,000</u>	<u>-</u>
 Total Operating Expenses	 <u>19,372,376</u>	 <u>4,097,354</u>	 <u>819,258</u>
 OPERATING INCOME	 <u>(10,574,561)</u>	 <u>10,288,580</u>	 <u>126,904</u>
 NON-OPERATING REVENUES			
Interest Income	<u>49,195</u>	<u>7,512</u>	<u>406</u>
 CHANGE IN NET POSITION	 (10,525,366)	 10,296,092	 127,310
 NET POSITION, BEGINNING OF YEAR	 <u>13,566,541</u>	 <u>3,270,449</u>	 <u>3,143,139</u>
 NET POSITION, END OF YEAR	 <u>\$ 3,041,175</u>	 <u>\$ 13,566,541</u>	 <u>\$ 3,270,449</u>

**WOODBRIIDGE REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

Operating Revenues decreased \$5,588,119 in fiscal year 2019 mainly due to the net result of the following: i) decreased amounts received for costs associated with the Red Oak (Stern Tower) project; ii) increased amounts received for costs associated with the Avenel Arts Center project; iii) increased amounts received from the Township's Affordable Housing Trust Fund to reimburse costs associated with the Pennrose Cedar Meadows affordable housing project; iv) increased application fees received; v) decreased amounts received from developers for abandoned property acquisitions; and vi) decreased miscellaneous fees received from redeveloper reimbursements and abandoned property registration fees.

Operating Expenses increased \$15,275,022 or 373% in fiscal year 2019 mainly due to the net result of the following: i) increased expenses related to the Red Oak (Stern Tower) project; ii) increased expenses related to the Avenel Arts Center project; iii) decreased expenses related to the the Pennrose Cedar Meadows affordable housing project; and iv) increased costs associated with the disposition of property held for redevelopment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Agency had the following capital assets as of June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Held for Redevelopment	\$ <u>-</u>	\$ <u>241,555</u>	\$ <u>-</u>

Debt

The Agency had no outstanding debt at June 30, 2019, 2018 and 2017.

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency has committed itself to financial excellence. Its system for financial planning, budgeting, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

The budget for the fiscal year ended June 30, 2020 was approved by the Division of Local Government Services and adopted by the Agency.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Township of Woodbridge, New Jersey citizens and redevelopers with a general overview of the Agency's finances to demonstrate the Woodbridge Redevelopment Agency's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Executive Director at One Main Street, Woodbridge, New Jersey 07095.

FINANCIAL STATEMENTS

**WOODBRIAGE REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 2,199,542	\$ 919,196
Due from Redeveloper	-	128,374
Intergovernmental Grants Receivable	-	<u>1,009,564</u>
Total Unrestricted Current Assets	<u>2,199,542</u>	<u>2,057,134</u>
Restricted Current Assets		
Escrow Account		
Cash and Cash Equivalents	491,900	591,272
Affordable Housing Account		
Cash and Cash Equivalents	51,845	1,179,545
Red Oak Project Construction Account		
Cash and Cash Equivalents	3,352,052	12,168,153
Escrow Deposits Receivable	<u>11,561</u>	<u>8,501</u>
Total Restricted Current Assets	<u>3,907,358</u>	<u>13,947,471</u>
Total Current Assets	<u>6,106,900</u>	<u>16,004,605</u>
Noncurrent Assets		
Capital Assets		
Property Held for Redevelopment	-	<u>241,555</u>
Total Capital Assets	-	<u>241,555</u>
Total Noncurrent Assets	-	<u>241,555</u>
Total Assets	<u>6,106,900</u>	<u>16,246,160</u>

**WOODBIDGE REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 941,627	\$ 1,036,607
Unearned Revenue	<u>135,526</u>	<u>135,526</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>1,077,153</u>	<u>1,172,133</u>
Current Liabilities (Payable from Restricted Assets)		
Accounts Payable	1,544,971	972,253
Escrow Deposits Payable	<u>443,601</u>	<u>535,233</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>1,988,572</u>	<u>1,507,486</u>
Total Current Liabilities	<u>3,065,725</u>	<u>2,679,619</u>
NET POSITION		
Net Investment in Capital Assets	-	241,555
Restricted For:		
Affordable Housing	1,051,845	712,902
Red Oak Project	1,866,042	11,726,202
Unrestricted	<u>123,288</u>	<u>885,882</u>
Total Net Position	<u>\$ 3,041,175</u>	<u>\$ 13,566,541</u>

**WOODBIDGE REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Redeveloper Reimbursements	\$ 225,883	\$ 231,002
Township Contribution - Local Subsidy	150,000	200,000
Township Contribution - Affordable Housing	1,000,000	-
Avenel Arts Center Contributions:		
Township General Capital Fund	700,000	-
Township Recreation Utility	1,385,868	-
Intergovernmental Grants	4,990,436	1,009,564
Red Oak Project Contributions:		
Township General Capital Fund	-	9,065,761
Township Council on Affordable Housing	-	800,000
Woodbridge Housing Authority	-	2,299,459
Developer Contribution - Property Held for Redevelopment	-	368,555
Intergovernmental Grant - Gardinier Project	-	2,000
Miscellaneous Fees	345,628	409,593
	<u>8,797,815</u>	<u>14,385,934</u>
OPERATING EXPENSES		
Salaries and Wages	193,453	172,360
Other Expenses		
Avenel Arts Center Expenses	7,941,963	1,009,564
Red Oak Project Expenses	9,894,689	441,951
Affordable Housing Expenses	661,135	1,919,175
Redeveloper Expenses	215,883	231,002
Miscellaneous	223,698	196,302
Disposition of Property Held for Redevelopment	241,555	127,000
	<u>19,372,376</u>	<u>4,097,354</u>
	<u>(10,574,561)</u>	<u>10,288,580</u>
OPERATING INCOME (LOSS)		
NON-OPERATING REVENUES		
Interest Income	49,195	7,512
	<u>49,195</u>	<u>7,512</u>
CHANGE IN NET POSITION	(10,525,366)	10,296,092
Total Net Position, Beginning of Year	<u>13,566,541</u>	<u>3,270,449</u>
Total Net Position, End of Year	<u>\$ 3,041,175</u>	<u>\$ 13,566,541</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**WOODBIDGE REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Redevelopers Reimbursements	\$ 259,546	\$ 513,517
Cash Received from Developer - Property Acquisition	-	368,555
Cash Received for Avenel Arts Center	8,085,868	-
Cash Received for Red Oak Project	-	12,165,220
Cash Received from Municipal Contribution	150,000	200,000
Cash Received from Township Affordable Housing	1,000,000	-
Cash Received from Miscellaneous Fees	345,628	327,250
Cash Paid for Property Held for Redevelopment	-	(368,555)
Cash Paid for Providing Services	(18,459,630)	(1,924,906)
Cash Paid for Employees	(193,453)	(172,360)
Net Cash Provided by (Used for) Operating Activities	<u>(8,812,041)</u>	<u>11,108,721</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest Received from Escrow Deposits	<u>19</u>	<u>34</u>
Net Cash Provided by NonCapital Financing Activities	<u>19</u>	<u>34</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>49,195</u>	<u>7,512</u>
Net Cash Provided by Investing Activities	<u>49,195</u>	<u>7,512</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,762,827)	11,116,267
Cash and Cash Equivalents, Beginning of Year	<u>14,858,166</u>	<u>3,741,899</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,095,339</u>	<u>\$ 14,858,166</u>
ANALYSIS OF BALANCE AT JUNE 30,		
Unrestricted - Cash and Cash Equivalents	\$ 2,199,542	\$ 919,196
Restricted - Cash and Cash Equivalents	<u>3,895,797</u>	<u>13,938,970</u>
	<u>\$ 6,095,339</u>	<u>\$ 14,858,166</u>

**WOODBIDGE REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	\$ (10,574,561)	\$ 10,288,580
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
(Increase) Decrease in Escrow Deposits Receivable	(3,060)	14,555
(Increase) Decrease in Due from Redeveloper	128,374	(128,374)
(Increase) Decrease in Intergovernmental Grants Receivable	1,009,564	(1,009,564)
(Increase) Decrease in Property Held for Redevelopment	241,555	(241,555)
Increase in Accounts Payable	477,738	1,909,981
(Decrease) in Unearned Revenue	-	(4,200)
Increase (Decrease) in Escrow Deposits Payable	<u>(91,651)</u>	<u>279,298</u>
Total Adjustments	<u>1,762,520</u>	<u>820,141</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,812,041)</u>	<u>\$ 11,108,721</u>

NOTES TO THE FINANCIAL STATEMENTS

**WOODBIDGE REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity and Activities

The Woodbridge Redevelopment Agency (the "Agency") is a public body corporate and politic of the State of New Jersey. The Agency was created by Township ordinance pursuant to the provisions of N.J.S.A. 40A:12A-1, et seq., for the purpose of carrying out the redevelopment plans for the Township of Woodbridge. The Agency is empowered to exercise public and essential government functions, including acquisition, condemnation, clearance, renovation and redevelopment of property in designated blighted areas and to carry out redevelopment plans for the Township of Woodbridge.

The Agency is governed by a Board of Commissioners (the "Board") consisting of seven members, who are appointed by the Mayor with the advice and consent of the Township Council. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency.

On August 5, 1992, the Legislature of the State of New Jersey adopted the Local Redevelopment and Housing Law (NJSA 40A:12A-1 et. seq.) which became effective on a retroactive basis to January 1, 1992. This law requires all redevelopment agencies to be subject to the provisions of the "Local Authorities Fiscal Control Law". As a result of this legislation, the Woodbridge Redevelopment Agency is subject to the laws, rules and regulations promulgated for Authorities in the State of New Jersey and must report to the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The Woodbridge Redevelopment Agency includes in its financial statements the primary government and those component units for which the primary government is financially accountable. Component units are legally separate organizations for which the Agency 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 Agency is financially accountable for an organization if the Agency appoints a voting majority of the organization's board, and (1) the Agency is able to significantly influence the programs or services performed or provided by the organization; or (2) the Agency is legally entitled to or can otherwise access the organization's resources; the Agency is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the Agency is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Agency in that the Agency approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Agency has no component units. The Agency would be includable as a component unit of the Township of Woodbridge on the basis of such criteria.

B. New Accounting Standards

The Agency did not adopt any new GASB Statements during the fiscal years ended June 30, 2019 and 2018.

Other accounting standards that the Authority is currently reviewing for its potential impact on the financial statements include:

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

**WOODBIDGE REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, will be effective beginning with the fiscal year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Agency are organized and operated on the basis of funds. The agency maintains an Enterprise Fund to account for its operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. A description of the Agency's fund type it maintains to account for its financial transactions is as follows:

Proprietary Fund Types – This fund type accounts for operations that are organized to be self-supporting and includes Enterprise Funds. An enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the entity has decided that the periodic determination of revenues earned, costs incurred and/or net income is appropriate for management accountability purposes.

The Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Agency has elected not to follow FASB guidance issued subsequent to December 1, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of operations and services and administrative expenses. The Agency considers transactions pertaining to property held for redevelopment to be operating revenues and expenses since these transactions are connected with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**WOODBIDGE REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position

1. **Cash, Cash Equivalents and Investments** – The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are stated at fair value and are limited by N.J.S.A. 40A:5-15.1.
2. **Restricted Assets** – Certain assets are classified restricted because they are maintained in separate bank accounts and their use is limited as the result of certain agreements entered into between the Agency and third parties.
3. **Net Position** – In the statement of net position, there are three classes of net position:
 - **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.
 - **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
 - **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.
4. **Use of Estimates** – The preparation of financial statements requires management of the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

E. Budgetary Information

An annual operating budget is prepared and adopted each fiscal year by the Agency. The budget is prepared in accordance with the Budget Manual for Local Authorities as promulgated by the Division of Local Government Services which differs in certain respects from accounting principles generally accepted in the United States of America. The Agency may at their discretion modify the budget subsequent to adoption. The legal level of budget control is defined in the Agency as the current budget plus other available funds. Unencumbered appropriations lapse at year-end.

F. Revenue Recognition

The Township's subsidies to the Agency are recognized as operating revenue when they become available in the Township's budget. Grants received are recognized as revenue when the resources are expended for the purpose specified in the grant agreement. Grant funds received and the related program income not yet expended are reported as unearned revenue.

NOTE 2 DEPOSITS AND INVESTMENTS

Cash Deposits – The Agency's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

**WOODBIDGE REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019 and 2018, the book value of the Agency's deposits were \$6,095,339 and \$14,858,166, respectively, and the bank balance of the Agency's cash and deposits amounted to \$6,097,532 and \$14,887,298, respectively.

The Agency's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured		
Restricted	\$3,897,990	\$13,941,164
Unrestricted	<u>2,199,542</u>	<u>946,134</u>
	<u>\$6,097,532</u>	<u>\$14,887,298</u>

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 Agency does not have a formal policy for custodial credit risk. As of June 30, 2019 and 2018, none of the Agency's bank balances were exposed to custodial credit risk.

Investments – The Agency is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Agency or bonds or other obligations of the school districts which are part of the Agency or school districts located within the Agency, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e). As of June 30, 2019 and 2018 the Agency has no outstanding investments.

NOTE 3 CAPITAL ASSETS

The Agency had the following capital asset activity for the years ended June 30, 2019 and 2018:

	Balance July 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2019</u>
<u>2019</u>				
Capital assets, not being depreciated:				
Property Held for Redevelopment	\$ 241,555	\$ -	\$ 241,555	\$ -
Total capital assets, not being depreciated	<u>241,555</u>	<u>-</u>	<u>241,555</u>	<u>-</u>
Total capital assets, net	<u>\$ 241,555</u>	<u>\$ -</u>	<u>\$ 241,555</u>	<u>\$ -</u>
	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2018</u>
<u>2018</u>				
Capital assets, not being depreciated:				
Property Held for Redevelopment	\$ -	\$ 368,555	\$ 127,000	\$ 241,555
Total capital assets, not being depreciated	<u>-</u>	<u>368,555</u>	<u>127,000</u>	<u>241,555</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 368,555</u>	<u>\$ 127,000</u>	<u>\$ 241,555</u>

**WOODBIDGE REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the cost-sharing contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees. Employees of the Woodbridge Redevelopment Agency who are eligible for pension coverage are enrolled in the Township's Public Employees Retirement System (PERS) pension plan. Therefore, the Agency was not required to directly contribute for normal cost pension contributions.

Post-Retirement Medical Benefits

The Agency currently does not provide employer paid post-retirement medical benefits to its active or retired employees.

NOTE 5 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is included in the Township of Woodbridge's insurance policy to guard against these events which are intended to provide minimum exposure to the Agency should they occur.

NOTE 6 INTERLOCAL AGREEMENT

The Township of Woodbridge and the Agency have entered into an Interlocal Agreement during 2007 for the purpose of the Township supporting the Agency in various ways to facilitate the Agency's redevelopment efforts until the Agency can become self sustaining. The term of this Interlocal Agreement shall commence retroactively to January 1, 2007 and shall conclude upon the earlier of (i) termination by the Township in writing to the Agency, or (ii) the Agency determining that it is able to fund its operation and terminating the Agreement.

NOTE 7 OTHER MATTERS

On July 26, 2011, the Township of Woodbridge adopted the Cooper Towers Rehabilitation Plan for the rehabilitation of certain properties in the Township and appointed the Agency to act as the Redevelopment Entity for the Cooper Towers Rehabilitation Area. The Township transferred \$2,250,000 from the Affordable Housing Trust Fund to pay for the costs associated with this project. The cumulative affordable housing expenses incurred by the Agency for the fiscal years ended June 30, 2019 and 2018 for this project was \$2,201,136 and \$2,201,136, respectively.

In fiscal year 2013 the Agency received \$2,600,000 from the sale of property held for redevelopment. The proceeds of this sale are to be utilized to develop affordable housing in connection with the Camel Creek Rehabilitation Plan. In fiscal year 2019 the Township contributed an additional \$1,000,000 toward the Camel Creek Rehabilitation Plan. The cumulative affordable housing expenses incurred by the Agency for the fiscal years ended June 30, 2019 and 2018 for this project was \$2,599,873 and \$1,938,738, respectively.

On December 17, 2015, the Agency entered in a Grant Agreement with the County of Middlesex to receive a grant in the amount of \$6,000,000. The grant proceeds are to be utilized to construct a new 10,000 square foot cultural community center (the "Avenel Arts Center") which will provide a broad range of public exposure and participation in cultural-arts based activities and events. In fiscal year 2019 the Township contributed an additional \$2,085,868 to be utilized for costs associated with this project. The cumulative expenses incurred by the Agency for the fiscal years ended June 30, 2019 and 2018 for the Avenel Arts Center project was \$8,951,527 and \$1,009,564, respectively.

**WOODBIDGE REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 7 OTHER MATTERS (Continued)

On April 5, 2016, the Township of Woodbridge and the Agency entered in a Shared Service Agreement related to the administration of the Township's abandoned properties. The Agency shall provide the following services under this agreement: i) identify and inventory abandoned properties located in the Township (referred to as the "Abandoned Property List"); ii) provide any and all notices required by state statute; iii) provide for property inspections and registration of abandoned properties including the collection of fees and penalties; iv) establish rules and procedures governing appeals challenging the inclusion of any property on the Abandoned Property List; v) exercise available legal remedies associated with the Abandoned Property List; and vi) maintain reports, records and accounts of all properties included on the Abandoned Property List.

On April 13, 2018, the Township of Woodbridge, the Agency, the Housing Authority of the Township of Woodbridge and Wick Redevelopment Group Woodbridge, LLC (the "Redeveloper") entered into a redevelopment agreement which contemplates two (2) projects to be constructed by the Redeveloper, one on the Red Oak property and the other on the Stern Tower property. The Red Oak project to be constructed on the Red Oak property will include a 60-unit residential building for the current residents of the Stern Tower property. Once the Stern Tower property is vacated and the current residents are relocated to the new 60-unit residential building on the Red Oak property, it shall be conveyed by the Agency to the Redeveloper. The Redeveloper shall then demolish the existing structure on the Stern Tower property and construct a maximum 138-unit residential building, consisting of 117 market rate units and 21 affordable housing units and parking. The cumulative expenses incurred by the Agency for the fiscal years ended June 30, 2019 and 2018 for the Red Oak project was \$10,336,640 and \$441,951, respectively.

SUPPLEMENTARY SCHEDULE

WOODBRIIDGE REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
BUDGETARY BASIS

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019 Adopted Budget	2019 Actual	Variance Excess (Deficit)	2018 Actual
OPERATING REVENUES				
Administrative Fees	\$ 90,000	\$ 215,000	\$ 125,000	\$ 25,000
Application Fees	-	-	-	218,593
Abandoned Property Registration Fees	85,000	130,000	45,000	166,000
Redeveloper Reimbursements	-	-	-	46,031
Intergovernmental Grants	-	-	-	2,000
Miscellaneous Revenues	-	628	628	-
	<u>175,000</u>	<u>345,628</u>	<u>170,628</u>	<u>457,624</u>
NON-OPERATING REVENUES				
Township Contribution (A)	200,000	150,000	(50,000)	200,000
Interest	100	14,576	14,476	4,335
	<u>200,100</u>	<u>164,576</u>	<u>(35,524)</u>	<u>204,335</u>
Total Revenues	<u>\$ 375,100</u>	<u>\$ 510,204</u>	<u>\$ 135,104</u>	<u>\$ 661,959</u>
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	\$ 166,000	\$ 193,453	\$ (27,453)	\$ 172,360
Other Expenses	5,000	3,632	1,368	12,739
	<u>171,000</u>	<u>197,085</u>	<u>(26,085)</u>	<u>185,099</u>
COST OF PROVIDING SERVICES				
Other Expenses	230,900	220,066	10,834	229,594
	<u>230,900</u>	<u>220,066</u>	<u>10,834</u>	<u>229,594</u>
Total Operating Appropriations	<u>401,900</u>	<u>417,151</u>	<u>(15,251)</u>	<u>414,693</u>
Budgetary Income (Balance Forward)	<u>\$ (26,800)</u>	<u>\$ 93,053</u>	<u>\$ 119,853</u>	<u>\$ 247,266</u>

(A) The Agency considers this revenue to be an operating revenue for financial reporting purposes.

WOODBIDGE REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
BUDGETARY BASIS
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019 Adopted Budget	2019 Actual	Variance Excess (Deficit)	2018 Actual
Budgetary Income (Brought Forward)	\$ (26,800)	\$ 93,053	\$ 119,853	\$ 247,266
Reconciliation of Budgetary Income to Change in Net Position - GAAP				
Increases to Budgetary Income:				
Township Contribution - Affordable Housing		1,000,000		-
Avenel Arts Project Contributions		7,076,304		1,009,564
Red Oak Project Contributions		-		12,165,220
Developer Contribution - Property Held for Redevelopment		-		368,555
Redeveloper Reimbursements		225,883		184,971
Interest Earned - Restricted Accounts		34,619		3,177
Decreases to Budgetary Income:				
Affordable Housing Expenses		(661,135)		(1,919,175)
Avenel Arts Center Expenses		(7,941,963)		(1,009,564)
Red Oak Project Expenses		(9,894,689)		(441,951)
Disposition of Property Held for Redevelopment		(241,555)		(127,000)
Redeveloper Expenses		<u>(215,883)</u>		<u>(184,971)</u>
Change in Net Position		<u>\$(10,525,366)</u>		<u>\$ 10,296,092</u>

GOVERNMENT AUDITING STANDARDS REPORT



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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CHRIS SOHN, CPA

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 Chairman and Members of the Board
Woodbridge Redevelopment Agency
Woodbridge, New Jersey

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 Woodbridge Redevelopment Agency, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Woodbridge Redevelopment Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

Management of the Woodbridge Redevelopment Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Woodbridge Redevelopment Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Woodbridge Redevelopment Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Woodbridge Redevelopment Agency'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Woodbridge Redevelopment Agency'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 Woodbridge Redevelopment Agency'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 Woodbridge Redevelopment Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
October 31, 2019

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS

JUNE 30, 2019

<u>Name</u>	<u>Title</u>
Henry Haidacher	Chairperson
Robert Gillespie	Vice-Chairperson
John Ur	Commissioner
Hope Ann Kondrk	Commissioner
Laura Kohut	Commissioner
Cory S. Spillar	Commissioner
Brian Small	Commissioner
John E. McCormac	Mayor
Caroline Ehrlich	Executive Director
Marta Darden	Director of Planning
Rose Ruvolo	Chief Accountant
Heather LaMotta	Secretary

COMMENTS/RECOMMENDATIONS

There are none.


Status of Prior Year's Audit Comments and Recommendations

There were none.

Appreciation

We desire to express our appreciation of the assistance of the Executive Director and Agency staff during the course of our audit.

Respectfully submitted,

A handwritten signature in blue ink that reads "Lerch, Vinci & Higgins LLP". The signature is written in a cursive, flowing style.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants