THE HOUSING AUTHORITY OF THE CITY OF TRENTON, NEW JERSEY

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

YEAR ENDED DECEMBER 31, 2015

THE HOUSING AUTHORITY OF THE CITY OF
TRENTON, NEW JERSEY

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
The Housing Authority of the City of Trenton
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The Housing Authority of the City of Trenton as of and for the year ended December 31, 2015, and the related notes to the 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 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 15 and Schedules of the Authority's Proportionate Share of Net Pension Liability and Authority Contributions on pages 41 and 42 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. Other supplementary data as listed in the table of contents is presented for the Department of Housing and Urban Development's information and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The other supplementary data and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting data and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 June 10, 2016 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Yeager & Boyd, LLC

Birmingham, Alabama
June 10, 2016

THE HOUSING AUTHORITY OF THE CITY OF TRENTON

TRENTON, NEW JERSEY

INDEPENDENT AUDITORS' 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*

Board of Commissioners
The Housing Authority of the City of Trenton
Trenton, 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 Authority, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 10, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain other matter that we reported to management of the Authority in a separate letter dated June 10, 2016.

Purpose of this Report

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

Yeager & Boyd, LLC

Birmingham, Alabama
June 10, 2016

THE HOUSING AUTHORITY OF THE CITY OF TRENTON

TRENTON, NEW JERSEY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
The Housing Authority of the City of Trenton
Trenton, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended December 31, 2015. The Authority's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Authority's compliance.

Opinion on Each Major Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Yeager & Boyd, LLC

Birmingham, Alabama
June 10, 2016

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2015

The Trenton Housing Authority's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net position decreased $9.8 million during 2015. Net Position was $50.8 million and $41 million for 2014 and 2015, respectively.

- Revenues decreased by $2.1 million during 2015, and were $20.1 million and $18 million for 2014 and 2015, respectively.

- The total expenses of all Authority programs (excluding the effect of the change in accounting principle) decreased $.3 million. Total expenses were $18.6 million and $18.3 million for 2014 and 2015, respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A
~ Management Discussion and Analysis ~

Basic Financial Statements
~ Authority-wide Financial Statements ~
~ Notes to Financial Statements ~

Other Required Supplementary Information
~ Required Supplementary Information ~
(other than MD&A)

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

Statement of Net Position

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format in which assets and deferred outflows of resources, equal liabilities, deferred inflows of resources and "Net Position", formerly known as net assets. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets and deferred outflows of resources, net of liabilities and deferred inflows of resources, for the entire Authority. Net Position (formerly net assets) is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, 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 Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position."

Statement of Revenues, Expenses, and Changes in Net Position

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Statement of Cash Flows

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, investing activities and from capital and related financing activities.

THE AUTHORITY'S MAIN PROGRAMS

Significant Programs – The focus of the Authority's Financial Statements should be on the significant programs of the Authority. The following are considered significant programs of the Authority.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to offer housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Revitalization of Severely Distressed Public Housing (HOPE VI) Program – The Authority's Hope VI Program was awarded $22 million to transform distressed public housing developments into mixed-income communities. The Hope VI Program aims not only to transform the physical condition of the public housing community but also to positively impact the lives of the residents.

Other Program – In addition to the significant programs above, the Authority also maintains the following program:

- Central Office Cost Center

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1
STATEMENT OF NET POSITION

	2015	2014	Variance
Assets and Deferred Outflows of Resources:			
Current Assets & Restricted Assets	$ 9,499,471	$ 7,338,050	$ 2,161,421
Capital Assets	73,703,767	73,204,747	499,020
Deferred Outflows of Resources	2,131,008	-	2,131,008
Total Assets and Deferred Outflows of Resources	**$ 85,334,246**	**$ 80,542,797**	**$ 4,791,449**
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	$ 2,960,452	$ 3,516,858	$ (556,406)
Non-Current Liabilities	40,772,479	26,222,846	14,549,633
Deferred Inflows of Resources	572,445	-	572,445
Total Liabilities and Deferred Inflows of Resources	**$ 44,305,376**	**$ 29,739,704**	**$ 14,565,672**
Net Position:			
Net Investment in Capital Assets	$ 44,755,246	$ 45,449,629	$ (694,383)
Restricted Net Position	1,065,974	204,421	861,553
Unrestricted Net Position	(4,792,350)	5,149,043	(9,941,393)
Total Net Position	**$ 41,028,870**	**$ 50,803,093**	**$ (9,774,223)**

Major Factors Affecting the Statement of Net Position

During 2015, there was a $2.2 million increase in current and restricted assets due predominantly to additional restricted debt and endowment funds received and on hand at the end of the year. Capital assets increased due to improvements to Public Housing properties under the Energy Performance Contract and other improvements funded by the Capital Fund Program. For more detail see "Capital Assets" in Table 4.

The year-end 2015 deferred outflows of resources balance is a result of the adoption of GASBS No. 68, *Accounting and Financial Reporting for Pensions.* See the Notes to the Financial Statements for additional details regarding deferred outflows of resources and the adoption of GASBS No. 68.

Current liabilities decreased due mainly to a reduction of the current portion of long-term debt as of year-end. Non-current liabilities increased due to the issuance of capital debt and the accrual of a pension liability resulting from the Authority's participation in its defined benefit retirement plan.

The year-end 2015 accrued pension liability and the deferred inflows of resources balance is a result of the adoption of GASBS No. 68, *Accounting and Financial Reporting for Pensions.* See the Notes to the Financial Statements for additional details regarding the accrued pension liability, the deferred inflows of resources and the adoption of GASBS No. 68.

Restricted net position increased as a result of restricted endowment funds received through the HOPE VI grant.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position, December 31, 2014	$ 5,149,043
Results of Operations	(16,368)
Principal and Interest Expended on Capital Debt from Operations	(2,338,233)
Investment Income	1,641
Home Ownership Assistance Disbursements	(159,018)
Transfer of HOPE VI Endowment Proceeds to Restricted Net Position	(861,553)
Effect of Change in Accounting Principle Resulting from Accrued Pension Liability	(9,466,158)
Depreciation Expense	2,898,296
Unrestricted Net Position, December 31, 2015	$ (4,792,350)

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

Table 3

Statement of Revenues, Expenses and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal years. The Authority is engaged only in Business-Type Activities.

	2015	2014	Variance
Revenues:			
Tenant Rental Revenue	$ 5,221,314	$ 5,099,490	$ 121,824
Operating Grants	11,733,289	12,037,258	(303,969)
Capital Grants	798,736	2,539,423	(1,740,687)
Investment Income	1,641	1,145	496
Other Revenue	234,834	399,522	(164,688)
Total Revenues	**$ 17,989,814**	**$ 20,076,838**	**$ (2,087,024)**
Expenses and Effect of Change in Accounting Principle:			
Administrative Expenses	$ 4,350,823	$ 4,258,895	$ 91,928
Tenant Services	259,883	545,909	(286,026)
Utilities	3,120,993	3,501,332	(380,339)
Maintenance & Operations	4,031,428	4,399,738	(368,310)
Protective Services	1,256,573	1,224,355	32,218
General Expense	1,287,809	1,094,139	193,670
Interest Expense	609,577	392,607	216,970
Depreciation	2,898,296	1,937,287	961,009
Home Ownership Assistance Expense	159,018	273,020	(114,002)
HOPE VI Project Expense	323,479	1,010,991	(687,512)
Effect of Change in Accounting Principle	9,466,158	-	9,466,158
Total Expenses and Effect of Change in Accounting Principle	**$ 27,764,037**	**$ 18,638,273**	**$ 9,125,764**
Excess (Deficiency) of Revenues Over Expenses and the Effect of the Change in Accounting Principle	**$ (9,774,223)**	**$ 1,438,565**	**##########**

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

Operating grants decreased due to decreased subsidies recognized under the Capital Fund Program. Capital grants decreased significantly, due to decreased modernization activity of the HOPE VI revitalization project and a reduction of improvement activity on the Authority's Public Housing properties funded under the Capital Fund Program. Other revenue decreased moderately due to a reduction of insurance proceeds recognized during 2015.

There was an overall decrease in expenses (excluding the effect of the change in accounting principle). Tenant services expenses decreased due to reduced personnel and youth development program costs incurred and funded through the HOPE VI grant, which concluded during 2015. Utility expenses decreased due mainly to decreased gas and fuel costs incurred during the winter months. Maintenance and operations expenses also decreased due predominantly to a reduction of external contracting costs incurred on the Authority's Public Housing properties. General expenses increased due mainly to an increase in compensated absences expense incurred.

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position - Continued

Interest expense increased due to the completion of construction of Phases I & II of the improvements under the Energy Performance Contract and the resulting interest expense. During construction of Phases I and II, interest costs were capitalized. HOPE VI project expense decreased during the year due to a significant decrease of disbursements to fund development costs of the Miller Homes Site Revitalization Project. The 2015 effect of change in accounting principle is a result of the adoption of GASBS No. 68, *Accounting and Financial Reporting for Pensions*, which required the Authority to accrue a pension liability as a result of its participation in a defined benefit retirement plan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had $73.7 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of $.5 million from the end of last year.

TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	2015	2014	Variance	% Chang
Land	$ 1,993,866	$ 1,993,866	$ -	0%
Buildings and Improvements	160,071,241	130,328,996	29,742,245	23%
Furniture & Equipment	6,365,492	6,365,492	-	0%
Construction in Process	3,568,973	29,913,902	(26,344,929)	-88%
Accumulated Depreciation	(98,295,805)	(95,397,509)	(2,898,296)	3%
Net Capital Assets	**$73,703,767**	**$73,204,747**	**$ 499,020**	**1%**

TABLE 5

CHANGE IN CAPITAL ASSETS

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance, January 1, 2015	$ 73,204,747
Additions:	
Capital Fund Program - Improvements	475,257
Energy Project Expenditures - Improvements	2,922,059
Depreciation Expense	(2,898,296)
Ending Balance, December 31, 2016	$ 73,703,767

DEBT OUTSTANDING

As of year-end, the Authority had $31.3 million in debt (bonds, notes, etc.) outstanding.

TABLE 6

OUTSTANDING DEBT, AT YEAR-END

Business Type	2015	2014
Capital Fund Revenue Bonds	$ 7,705,000	$ 8,300,000
Energy Performance Contract - Capital Debt	23,623,113	19,875,333
Total	**$ 31,328,113**	**$ 28,175,333**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is W. Oliver Leggett, Executive Director, Trenton Housing Authority. Specific requests may be submitted to Trenton Housing Authority, 875 New Willow Street, Trenton, New Jersey 08638.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Enterprise Fund
Current Assets	
Cash and Cash Equivalents	$ 5,500,014
Accounts Receivable - Grants	58,265
Tenants Accounts Receivable	93,940
Allowance for Doubtful Accounts	(13,248)
Accounts Receivable - Other	1,111
Prepaid Costs	179,621
Inventory	234,202
Total Current Assets	6,053,905
Restricted Assets	
Cash and Cash Equivalents	3,445,566
Total Restricted Assets	3,445,566
Capital Assets	
Land	1,993,866
Buildings and Improvements	160,071,241
Furniture & Equipment	6,365,492
Construction in Progress	3,568,973
	171,999,572
(Less): Accumulated Depreciation	(98,295,805)
Net Capital Assets	73,703,767
Total Assets	83,203,238
Deferred Outflows of Resources	2,131,008
Total Assets and Deferred Outflows of Resources	$ 85,334,246

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT OF NET POSITION
DECEMBER 31, 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Enterprise Fund
Current Liabilities	
Accounts Payable	$ 607,334
Accrued Wages and Payroll Taxes	120,874
Accrued Compensated Absences	117,392
Accrued Interest Payable	114,567
Tenant Security Deposits	351,307
Unearned Revenue	52,688
Current Portion of Capital Debt	1,596,290
Total Current Liabilities	2,960,452
Long Term Liabilities	
Long Term Capital Debt	29,731,823
Accrued Compensated Absences	117,396
Accrued Pension Liability	10,923,260
Total Long Term Liabilities	40,772,479
Total Liabilities	43,732,931
Deferred Inflows of Resources	572,445
Total Liabilities and Deferred Inflows of Resources	44,305,376
Net Position	
Net Investment in Capital Assets	44,755,246
Restricted Net Position	1,065,974
Unrestricted Net Position	(4,792,350)
Total Net Position	41,028,870
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 85,334,246

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Fund
Operating Revenues	
Dwelling Rent	$ 5,221,314
Operating Grants	11,733,289
Other Revenue	234,834
Total Operating Revenues	17,189,437
Operating Expenses	
Administrative	4,350,823
Tenant Services	259,883
Utilities	3,120,993
Maintenance and Operations	4,031,428
Protective Services	1,256,573
General Expense	1,287,809
Depreciation	2,898,296
Total Operating Expenses	17,205,805
Operating Income (Loss)	(16,368)
Non-Operating Revenues (Expenses)	
Investment Income	1,641
Interest Expense	(609,577)
Home Ownership Assistance Expense	(159,018)
HOPE VI Project Expense	(323,479)
Total Non-Operating Rev/(Exp)	(1,090,433)
Increase (decrease) before Capital Contributions and Transfers	(1,106,801)
Capital Contributions (from HUD)	798,736
Increase (Decrease) in Net Position	(308,065)
Net Position, Beginning	50,803,093
Effect of Change in Accounting Principle	(9,466,158)
Net Position, Ending	$ 41,028,870

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Fund
Cash flows from operating activities:	
Cash Received from Dwelling Rent	$ 5,101,729
Cash Received from Operating Grants	11,810,286
Cash Received from Other Sources	223,158
Cash Payments for Salaries and Benefits	(6,951,424)
Cash Payments to Vendors and Landlords	(7,254,740)
Net cash provided (used) by operating activities	2,929,009
Cash flows from capital and related financing activities:	
Capital Grants Received	966,711
Capital Outlay	(3,115,880)
Proceeds from the issuance of Capital Debt	4,600,000
Principal and Interest paid on Capital Debt	(2,321,680)
Net cash provided (used) by capital & related financing activites	129,151
Cash flows from investing activities:	
Interest earned from cash and cash equivalents	1,641
Home Ownership Assistance Disbursements	(159,018)
Disbursements on HOPE VI Loan Agreement(s)	(323,479)
Net cash provided (used) by investing activities	(480,856)
Net increase in cash and cash equivalents	2,577,304
Cash and cash equivalents, beginning of year:	
Current and Restricted Cash	6,368,276
Total cash and cash equivalents, beginning of year	6,368,276
Cash and cash equivalents, end of year:	
Current and Restricted Cash	8,945,580
Total cash and cash equivalents, end of year	$ 8,945,580
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income (Loss)	$ (16,368)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,898,296
Bad Debt Expense (Tenants)	123,601
Change in Tenant Accounts Receivable	(134,252)
Change in Accounts Receivable/Payable - Grants	76,997
Change in Other Accounts Receivable	560
Change in Prepaid Costs and Inventory	181,002
Change in Accounts Payable - Operating	(26,806)
Change in Accrued Expenses	(176,452)
Change in Deferred Revenue - Tenant	14,667
Change in Security Deposits Held	(12,236)
Net cash provided (used) by operating activities	$ 2,929,009

See the accompanying notes to financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund in accordance with GASB Statement 34 paragraph 138 and GASB Statement 63.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements as follows:

> Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.
>
> Governmental Accounting Standards – The Housing Authority has applied all applicable Governmental Accounting Standards Board pronouncements as well as pronouncements issued by the Financial Accounting Standards Board.

Cash

The Housing Authority considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Accounts Receivable

Tenant accounts receivables are carried at the amount considered by management to be collectible. Other accounts receivable consists of amounts due from HUD for Grant Income.

Prepaid Items and Inventory

Prepaid items and inventory consists of payments made to vendors for services and materials that will benefit future periods.

Unearned Revenue

The Authority recognizes revenues as earned. Funds received before the Authority is eligible to apply them are recorded as a liability under Unearned Revenue.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Revenue Accounting Policies

Dwelling rent income, HUD Grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue. These financial statements do not contain material inter-fund revenues and expenses for internal activity. The policy is to eliminate any material inter-fund revenues and expenses for these financial statements.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation on assets has been expensed in the statement of income and expenses. Estimated useful lives are as follows:

Buildings	30 years
Improvements	10 - 15 years
Furniture fixtures and equipment	5 - 10 years

Deferred Outflows and Inflows of Resources

A Deferred Outflow of Resources is a consumption of net assets by the Authority that is applicable to a future reporting period. Conversely, a Deferred Inflow of Resources is an acquisition of net assets by the Authority that is applicable to a future reporting period.

Indirect Costs Recovery

Direct costs are charged to the Authority's applicable programs. The Authority charges indirect costs to its Central Office Cost Center, and charges the programs management fees based on fee rates provided by the Department of Housing and Urban Development.

NOTE B - REPORTING ENTITY DEFINITION

The Housing Authority is a separate non-profit corporation with a Board of Directors. The applicable jurisdictions appoint the Board of Directors. However, the Housing Authority has complete legislative and administrative authority and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Directors and submitted to the New Jersey Division of Local Government Services (DLGS). The Authority's budget is not funded by DLGS, but rather the U.S. Department of Housing and Urban Development (HUD) based upon performance funding and program and capital grants. Subsidies for operations are received primarily from HUD. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority has no component units. The Authority is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

NOTE C - CASH DEPOSITS

Custodial Credit Risk – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk – The Authority's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the U.S., certificates of deposit or any other federally-insured investments.

The Housing Authority's cash and cash equivalents consist of funds held in interest bearing checking accounts totaling $6,565,488, and $2,379,592 invested in US Treasury Money Market Funds which is restricted for modernization. The remaining $500 is held in the form of petty cash or change fund. Deposits with financial institutions are secured as follows:

	Per Book	Per Bank
Insured by FDIC	$ 598,161	$ 598,161
Investments held in U.S. Treasury Obligations	2,379,592	2,379,592
Collateralized with an Irrevocable Standby Letter of Credit	5,748,096	5,748,096
Uncollateralized	219,231	330,880
	$ 8,945,080	$ 9,056,729

All investments are carried at cost plus accrued interest, which approximates market. The Authority had no realized gains or losses on the sale of investments. The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments.

NOTE D - CONTRACTUAL COMMITMENTS

The Authority had Outstanding Contractual Commitments as of December 31, 2015 as follows:

Type of Commitment:	
Renovations/ Modernizations	$ 2,001,895
Professional Services	39,222
Total Outstanding Contractual Commitments	$ 2,041,117

NOTE E – SIGNIFICANT ESTIMATES

These financial statements are prepared in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives, and the net pension liability and related pension expense. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE F – CONCENTRATION OF RISK

The Housing Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

NOTE G – RISK MANAGEMENT

The Housing Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Housing Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

NOTE H – INTERPROGRAM ACTIVITY

The Housing Authority manages several programs. Many charges, i.e., payroll, benefits, insurance, etc. are paid by the Housing Authority's various funds and subsequently reimbursed. Balances due for such charges are reflected in the Interprogram Due to/Due from account balances. Interprograms at the fiscal year end consisted of the following:

Central Office Cost Center	$ 358,853
Public Housing	(358,853)
	$ -

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I - PENSION PLAN

Public Employees' Retirement System

Plan Description – The Authority is a participating employer in the PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pension and Benefits. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State legislature. For additional information about PERS, please refer to the 'Schedule of Employer Allocations and Schedule of Collective Pension Amounts' and the 'Sixtieth Annual Report of the Actuary' which can be found at www.state.nj.us/treasury/pensions/pubslist.shtml.

Benefits Provided – PERS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who enroll prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to Nov. 2, 2008
3	Members who were eligible to enroll on or after Nov. 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 2 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions – The actuarial valuation as of July 1, 2014 reflects Chapter 78, P.L. 2011, which increased the member (employee) contribution rate from 5.5% to 6.5% of compensation effective October 2011. Further, beginning July 2012, the member contribution rate will increase by 1/7th of 1% each July until a 7.5% member contribution rate is reached in July 2018. Contribution rates for employers are determined by an actuarial valuation. As of July 1, 2015 employees are required to contribute 7.07% of their annual salary and the Authority contributes an additional 11.83% of the employees' compensation.

During the years ended June 30, 2015, 2014 and 2013, the Authority's contributions to PERS required and made were approximately $418,348, $421,743, and $345,592, respectively.

Refund of Contributions – Eligible upon service termination prior to age 60 (age 62 for Tier 3 and Tier 4 members and age 65 for Tier 5 members) and prior to 10 years of service. Benefit equals refund of accumulated deductions plus, if the member has completed three years of service, interest allowed thereon.

NOTE I – PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2015, the Authority reported a liability of $10,923,260 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the pension liability was determined by an actuarial valuation as of July 1, 2014 rolled forward to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2015. At June 30, 2015, the Authority's proportion was .0486602913%, which was a decrease of .0024981729% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Authority recognized pension expense of $789,553. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	$ 260,591	$ -
Changes of assumptions	1,173,071	-
Net difference between projected and actual earnings on plan investments	-	175,625
Changes in proportion and differences between employer contributions and proportionate share of contributions	697,346	396,820
Authority's contributions made subsequent to the measurement date of June 30, 2015	-	-
Total	$ 2,131,008	$ 572,445

The amounts below do not include deferred outflows of resources and deferred inflows of resources related to changes in proportion. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year Ended June 30:	
2016	$ 229,026
2017	$ 229,026
2018	$ 229,026
2019	$ 364,761
2020	$ 206,198
Total	$ 1,258,037

NOTE I – PENSION PLAN - CONTINUED

Actuarial Assumptions – The collective total pension liability as of the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial used the following actuarial assumptions:

Inflation	3.04%
Salary increases	
(2012-2021)	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disability Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with state statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the state treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

NOTE I – PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

	Target Allocation	Long-Term Expected Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.75%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on these assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining that total pension liability.

Sensitivity of the Authority's proportionate share of the net pension asset to changes in the discount rate
The following table presents the Authority's proportionate share of the net pension liability as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Plan's Net Pension Liability (Asset)	13,576,276	10,923,260	8,698,991

NOTE J – OTHER POST EMPLOYMENT BENEFITS

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB). The Authority is a member of and makes contributions to a cost-sharing multiple-employer OPEB plan, which is administered as a trust. All of the Authority's eligible retirees receive health insurance benefits through this plan. Eligible retirees are all employees who retire from the Authority on or after attaining the age of sixty (60) with at least twenty-five (25) years of service. The Authority provides post employment benefits in accordance with the terms of the New Jersey Health Benefit Plan. Under this plan, benefits, risks and liabilities are pooled (shared), and plan net assets received from participating employers are legally used to pay benefits to participating retirees. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the various employers. A single actuarial valuation covers all plan members, and the same contribution rate applies for each employer. The total expenditures for post employment health care benefits were $579,440, which represents 100% of the required contributions for the year. Contributions for 2014 and 2013 were $540,080 and $485,937 respectively, which represented 100% of their required contributions for the respective years.

NOTE K – COMPENSATED ABSENCES

The Authority's policy allows employees to accumulate and carry-over up to one year of earned vacation. This policy also allows for full payment of earned leave upon termination.

The sick leave policy, which is in accordance with state laws, allows employees to accumulate unused sick leave. Upon normal retirement under the Public Employees Retirement System, employees shall be entitled to receive a lump sum payment as supplemental compensation for each full day of earned and unused accumulated sick leave of one-half (1/2) of the eligible employee's daily rate of pay. No lump sum payment shall exceed $15,000. Leave accrued but not yet paid as of December 31, 2015, is shown as a liability allocated between current and noncurrent.

NOTE L – LONG TERM DEBT

The Housing Authority pledged a portion of its annual Capital Fund Grant from HUD to secure the Authority's allocable portion of Bonds issued jointly by the Authority and other participating New Jersey housing authorities. The Authority's allocable share of the net proceeds, $12,453,954 was used to acquire, construct, equip, renovate and improve public housing developments owned and operated by the Authority for rental to, and occupancy by qualified tenants under the applicable HUD rules and regulations. The Bonds are designated "Capital Fund Program Revenue Bonds, 2004 Series A." The entire proceeds of $12,815,000 were deposited with the Trustee (Bank of New York), which has been authorized and directed to apply and disburse such monies for the purposes and in the order specified in the Master Trust Indenture. The Bonds bear interest at a rate not to exceed 4.7% and are paid semi-annually. Interest expense incurred during the year was $368,415. The principal balance at December 31, 2015 was $7,705,000. The Bonds are payable as follows:

	Principal	Interest	Balance Due
2016	$ 625,000	$ 346,693	$ 7,080,000
2017	650,000	319,130	6,430,000
2018	680,000	290,364	5,750,000
2019	710,000	260,077	5,040,000
2020	745,000	228,185	4,295,000
2021 - 2025	4,295,000	574,693	-
	$ 7,705,000	$ 2,019,142	$ -

In March of 2009 the Authority obtained financing, under a lease purchase agreement, from TD Bank to fund the installation & maintenance of energy efficient equipment and fixtures in the Authority's public housing units. In October of 2012, the Authority refinanced the principal balance of $20,549,025 payable under the original lease purchase agreement with a $22,971,265 lease purchase agreement with TD Bank. In July of 2015, the Authority refinanced the principal balance of $18,990,959 with a $23,590,959 lease purchase agreement with TD Bank. The agreement bears interest at a rate of 2.86%. Monthly principal and interest payments are payable through 2029. The agreement is secured by the equipment and fixtures. Interest expenditures capitalized during the year under the original and existing agreements were $281,436 and interest expenditures expensed were $241,162. The principal balance at December 31, 2015 was $23,623,113. Debt service requirements are as follows:

	Principal	Interest	Balance Due
2016	$ 971,290	$ 662,955	$ 22,651,823
2017	1,085,691	633,684	21,566,132
2018	1,165,541	601,592	20,400,591
2019	1,261,983	567,000	19,138,608
2020	1,363,413	529,584	17,775,195
2021 - 2025	8,529,104	1,977,318	9,246,091
2026 - 2029	9,246,091	561,999	-
	$ 23,623,113	$ 5,534,132	$ -

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE L – LONG TERM DEBT - CONTINUED

A summary of long term liabilities is as follows at December 31, 2015:

	January 1, 2014 Balance	Increase	Decrease	December 31, 2014 Balance	Due Within One Year
Bonds Payable	$ 8,300,000	$ -	$ 595,000	$ 7,705,000	$ 625,000
EPC Lease Purchase Agreement	19,875,333	4,600,000	852,220	23,623,113	971,290
Compensated Absences	300,263	234,788	300,263	234,788	117,392
Accrued Pension Liability	-	10,923,260	-	10,923,260	-
Less: Current portion	(2,252,750)			(1,713,682)	
Long Term Liabilities	$ 26,222,846	$ 15,758,048	$ 1,747,483	$ 40,772,479	$ 1,713,682

NOTE M – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE N – RESTRICTED CASH AND RESTRICTED NET POSITION

The Authority's restricted cash consists of the following as of the end of the fiscal year:

Debt Proceeds Restricted for Development	$ 2,379,592
Other Funds Restricted for Development	204,421
HOPE VI Endowment Proceeds	861,553
Total Restricted Cash	$ 3,445,566

Other Funds Restricted for Development consists of sales proceeds from the disposition of Kearney Homes (Project NJ005004) during 2006. The proceeds are to be used for redevelopment purposes and there is no off-setting liability. Similarly, there is no off-setting liability for the HOPE VI Endowment Proceeds. Due to the restriction of these assets by HUD, $1,065,974 is reported as Restricted in the Net Position portion of the Statement of Net Position.

NOTE O – HOPE VI PROJECT EXPENSE

During 2015, the Authority loaned $323,479 to Carl Miller Associates, LLC to fund development costs of the Miller Homes Site Revitalization Project, under three non-interest bearing Loan Agreements dated in December of 2012. The 2015 disbursements consist of HOPE VI grant funds. As of December 31, 2015, the Authority has loaned a total of $13,519,310 to Carl Miller Associates, LLC. Upon expiration of the 90 year Land Lease (see Note P below), ownership of any remaining structures and improvements will transfer to the Authority. Due to uncertainties regarding collectability, the advances have been fully reserved. The advances are reflected in the Statement of Revenues, Expenses and Changes in Net Position, as HOPE VI Project Expense. Any assets received as reimbursement of this loan will be recognized as revenue upon receipt.

NOTE P – CAPITAL ASSETS

A summary of Capital Assets at December 31, 2015 is as follows:

	PUBLIC HOUSING & COCC	CAPITAL FUND	TOTAL
Land	$ 1,993,866	$ -	$ 1,993,866
Building and Improvements	160,071,241	-	160,071,241
Furniture, Fixtures and Equipment	6,365,492	-	6,365,492
Construction in Process	-	3,568,973	3,568,973
Less Accumulated Depreciation	(98,295,805)	-	(98,295,805)
Total Capital Assets	$ 70,134,794	$ 3,568,973	$ 73,703,767

	January 1, 2015 Balance	Additions	Transfers & Deletions	December 31, 2015 Balance
Land	$ 1,993,866	$ -	$ -	$ 1,993,866
Construction in Process	29,913,902	3,397,316	(29,742,245)	3,568,973
Total Assets not being depreciated	31,907,768	3,397,316	(29,742,245)	5,562,839
Buildings and Improvements	130,328,996	-	29,742,245	160,071,241
Furniture and Equipment	6,365,492	-	-	6,365,492
Total Capital Assets	168,602,256	3,397,316	-	171,999,572
Less Accumulated Depreciation				
Buildings and Improvements	(93,292,517)	(2,794,217)	-	(96,086,734)
Furniture and Equipment	(2,104,992)	(104,079)	-	(2,209,071)
Net Book Value	$ 73,204,747	$ 499,020	$ -	$ 73,703,767

Land Lease: In April of 2010, the Authority entered into a 90 year land lease in which the Authority leased land, with a book value of $510,000, to Carl Miller Associates, LLC for a one-time rental payment of $10 (see Note O for additional information).

NOTE Q – EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - ADOPTION OF GASBS NO. 68

The Authority has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASBS No. 27*. This Statement establishes standards for measuring and recognizing employers' liabilities, deferred outflows of resources, deferred inflows of resources and expenses resulting from participation in a defined benefit pension plan. Without the adoption of GASBS No. 68, the Authority would not have reported a net pension liability of $10,923,260; deferred outflows of resources of $2,131,008 and deferred inflows of resources of $572,445. Additionally, the Authority would have reported $891,014 of pension expense rather than the $789,553 actually reported. The adoption of the Statement resulted in a Change in Accounting Principle reported in the Statement of Revenues, Expenses and Changes in Net Position of $9,466,158 as an adjustment to beginning net position.

NOTE R – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through June 10, 2016, the date the financial statements were issued.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM
DECEMBER 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Public Housing & Capital Fund Programs	HOPE VI	COCC	Elimination	Total Enterprise Fund
Current Assets					
Cash and Cash Equivalents	$ 4,976,944	$ -	$ 523,070	$ -	$ 5,500,014
Accounts Receivable - Grants	58,265	-	-	-	58,265
Tenants Accounts Receivable	93,940	-	-	-	93,940
Allowance for Doubtful Accounts	(13,248)	-	-	-	(13,248)
Accounts Receivable - Other	1,111	-	-	-	1,111
Prepaid Costs	153,452	-	26,169	-	179,621
Inventory	234,202	-	-	-	234,202
Inter-program Receivable	-	-	358,853	(358,853)	-
Total Current Assets	5,504,666	-	908,092	(358,853)	6,053,905
Restricted Assets					
Cash and Cash Equivalents	3,445,566	-	-	-	3,445,566
Total Restricted Assets	3,445,566	-	-	-	3,445,566
Capital Assets					
Land	1,976,466	-	17,400	-	1,993,866
Buildings and Improvements	159,684,229	-	387,012	-	160,071,241
Furniture & Equipment	4,195,218	-	2,170,274	-	6,365,492
Construction in Progress	3,568,973	-	-	-	3,568,973
	169,424,886	-	2,574,686	-	171,999,572
(Less): Accumulated Depreciation	(95,957,340)	-	(2,338,465)	-	(98,295,805)
Net Capital Assets	73,467,546	-	236,221	-	73,703,767
Total Assets	82,417,778	-	1,144,313	(358,853)	83,203,238
Deferred Outflows of Resources	1,629,853	-	501,155	-	2,131,008
Total Assets and Deferred Outflows of Resources	$ 84,047,631	$ -	$ 1,645,468	$ (358,853)	$ 85,334,246

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM
DECEMBER 31, 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Public Housing & Capital Fund Programs	HOPE VI	COCC	Elimination	Total Enterprise Fund
Current Liabilities					
Accounts Payable	$ 574,966	$ -	$ 32,368	$ -	$ 607,334
Accrued Wages and Payroll Taxes	97,898	-	22,976	-	120,874
Accrued Compensated Absences	93,731	-	23,661	-	117,392
Accrued Interest Payable	114,567	-	-	-	114,567
Tenant Security Deposits	351,307	-	-	-	351,307
Unearned Revenue	52,688	-	-	-	52,688
Current Portion of Capital Debt	1,596,290	-	-	-	1,596,290
Interprogram Payable	358,853	-	-	(358,853)	-
Total Current Liabilities	3,240,300	-	79,005	(358,853)	2,960,452
Long Term Liabilities					
Long Term Capital Debt	29,731,823	-	-	-	29,731,823
Accrued Compensated Absences	93,735	-	23,661	-	117,396
Accrued Pension Liability	8,354,399	-	2,568,861	-	10,923,260
Total Long Term Liabilities	38,179,957	-	2,592,522	-	40,772,479
Total Liabilities	41,420,257	-	2,671,527	(358,853)	43,732,931
Deferred Inflows of Resources	437,823	-	134,622	-	572,445
Total Liabilities and Deferred Inflows of Resources	41,858,080	-	2,806,149	(358,853)	44,305,376
Net Position					
Net Investment in Capital Assets	44,519,025	-	236,221	-	44,755,246
Restricted Net Position	1,065,974	-	-	-	1,065,974
Unrestricted Net Position	(3,395,448)	-	(1,396,902)	-	(4,792,350)
Total Net Position	42,189,551	-	(1,160,681)	-	41,028,870
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 84,047,631	$ -	$ 1,645,468	$ (358,853)	$ 85,334,246

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
SCHEDULE OF INCOME, EXPENSES AND CHANGES IN NET POSITION BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2015

	Public Housing & Capital Fund Programs	HOPE VI	COCC	Elimination	Total Enterprise Fund
Operating Revenues					
Dwelling Rent	$ 5,221,314	$ -	$ -	$ -	$ 5,221,314
Operating Grants	10,358,278	1,375,011	-	-	11,733,289
Other Revenue	227,164	-	1,795,612	(1,787,942)	234,834
Total Operating Revenues	15,806,756	1,375,011	1,795,612	(1,787,942)	17,189,437
Operating Expenses					
Administrative	4,306,864	174,482	1,657,419	(1,787,942)	4,350,823
Tenant Services	79,925	179,958	-	-	259,883
Utilities	3,080,041	-	40,952	-	3,120,993
Maintenance and Operations	3,972,831	-	58,597	-	4,031,428
Protective Services	1,256,573	-	-	-	1,256,573
General Expense	1,172,493	-	115,316	-	1,287,809
Depreciation	2,873,236	-	25,060	-	2,898,296
Total Operating Expenses	16,741,963	354,440	1,897,344	(1,787,942)	17,205,805
Operating Income (Loss)	(935,207)	1,020,571	(101,732)	-	(16,368)
Non-Operating Revenues (Expenses)					
Investment Income	1,441	-	200	-	1,641
Interest Expense	(609,577)	-	-	-	(609,577)
Home Ownership Assistance Expense	-	(159,018)	-	-	(159,018)
HOPE VI Project Expense	-	(323,479)	-	-	(323,479)
Total Non-Operating Rev/(Exp)	(608,136)	(482,497)	200	-	(1,090,433)
Increase (decrease) before Capital Contributions and Transfers	(1,543,343)	538,074	(101,532)	-	(1,106,801)
Capital Contributions (from HUD)	475,257	323,479	-	-	798,736
Operating Transfers In (Out)	2,061,553	(861,553)	(1,200,000)	-	-
Increase (Decrease) in Net Position	993,467	-	(1,301,532)	-	(308,065)
Net Position, Beginning	48,386,125	-	2,416,968	-	50,803,093
Effect of Change in Accounting Principle	(7,190,041)	-	(2,276,117)	-	(9,466,158)
Net Position, Ending	$ 42,189,551	$ -	$ (1,160,681)	$ -	$ 41,028,870

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT AND CERTIFICATION OF PROGRAM COSTS - CAPITAL FUND PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2015

	NJ39P00550111	NJ39P00550112	NJ39P00550113
Funds Approved	$ 2,804,323	$ 2,794,274	$ 2,695,283
Funds Expended	2,804,323	2,794,274	2,695,283
Excess of Funds Approved	$ -	$ -	$ -
Funds Advanced	$ 2,804,323	$ 2,794,274	$ 2,695,283
Funds Expended	2,804,323	2,794,274	2,695,283
Excess of Funds Advanced	$ -	$ -	$ -

	NJ39R00550109	NJ39R00550112
Funds Approved	$ 203,640	$ 93,566
Funds Expended	203,640	93,566
Excess of Funds Approved	$ -	$ -
Funds Advanced	$ 203,640	$ 93,566
Funds Expended	203,640	93,566
Excess of Funds Advanced	$ -	$ -

1. The distribution of costs as shown on the Actual Modernization Cost Certificates submitted to HUD for approval are in agreement with the Housing Authority's records.

2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT AND CERTIFICATION OF PROGRAM COSTS - REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING PROGRAM (HOPE VI)
FOR THE YEAR ENDED DECEMBER 31, 2015

	NJ39URD005I109
Funds Approved	$ 22,000,000
Funds Expended	22,000,000
Excess of Funds Approved	$ -
Funds Advanced	$ 22,000,000
Funds Expended	22,000,000
Excess of Funds Advanced	$ -

1. The distribution of costs as shown on the Actual HOPE VI Cost Certificate submitted to HUD for approval is in agreement with the Housing Authority's records.
2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

THE HOUSING AUTHORITY OF THE CITY OF
TRENTON, NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

EXPENDITURES

Low Rent Public Housing Expenditures Total CFDA Number 14.850a	$ 9,168,001
Revitalization of Severely Distressed Public Housing Total CFDA Number 14.866	1,698,490
Public Housing Capital Fund Program Total CFDA Number 14.872	1,665,534
TOTAL HUD EXPENDITURES	12,532,025
TOTAL FEDERAL EXPENDITURES	$ 12,532,025

Basis of Presentation:

The above schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
TRENTON, NEW JERSEY

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

DECEMBER 31, 2015

Section I: Summary of Auditors' Results:

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified	
Internal Control over financial reporting:		
Are material weaknesses identified?	____Yes	_X_No
Are significant deficiencies that are not considered to be material weaknesses identified?	____Yes	_X_None Reported
Is noncompliance that could have a material effect on the financial statements identified?	____Yes	_X_No

FEDERAL AWARDS

Internal control over major programs:		
Are material weaknesses identified?	____Yes	_X_No
Are significant deficiencies that are not considered to be material weaknesses identified?	____Yes	_X_None Reported
Type of report issued on compliance with requirements applicable to each major program:	Unmodified	
Are there any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance?	____Yes	_X_No

Identification of major programs:

Name of Federal Program	CFDA No.
Revitalization of Severely Distressed Public Housing	14.866
Capital Fund Program	14.872

Dollar threshold used to distinguish between type A and type B programs: $750,000

Is the auditee identified as a low-risk auditee? _X_Yes __No

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
TRENTON, NEW JERSEY

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

DECEMBER 31, 2015

Section II: Financial Statement Findings:

Summary Schedule of Prior Year Findings:

None

Current Year Findings and Questioned Costs:

None

Section III: Federal Award Findings and Questioned Costs:

Summary Schedule of Prior Year Findings:

None

Current Year Findings and Questioned Costs:

None

REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

Schedule of Proportionate Share of Net Pension Liability

	Year Ended June 30, 2015
Authority's proportion of the net pension liability (asset)	0.0486602913%
Authority's proportionate share of the net pension liability (asset)	$ 10,923,260
Authority's covered-employee payroll	$ 3,536,331
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	308.89%
Plan fiduciary net position as a percentage of the total pension liability	47.93%

	Year Ended June 30, 2015
Contractually required contribution	$ 418,348
Contributions in relation to the contractually required contribution	$ 418,348
Contribution deficiency (excess)	$ -
Authority's covered-employee payroll used in calculation	$ 3,536,331
Contributions as a percentage of covered-payroll	11.83%

Note: GASB 68 was implemented in fiscal year 2015. These schedules are being built prospectively. Ultimately, 10 years of data will be presented.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

Change of Benefit Terms – None

Change of Assumptions – None

Note: GASB 68 was implemented in fiscal year 2015. The schedules are being built prospectively, therefore, only one year of data is available resulting in no changes in the terms above.