THE HOUSING AUTHORITY OF THE CITY OF TRENTON, NEW JERSEY

REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

YEAR ENDED DECEMBER 31, 2016

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, 2016, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

Opinion
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, 2016, 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 the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Employer's Required Contributions and the Schedule of Changes in Benefit Terms and Assumptions Applied on pages 41 through 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 September 18, 2017 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.

Aprio, LLP

Birmingham, Alabama
September 18, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 18, 2017.

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 opinion 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.*

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.

Aprio, LLP

Birmingham, Alabama
September 18, 2017

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 program for the year ended December 31, 2016. The Authority's major federal program is 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.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 program. However, our audit does not provide a legal determination of Authority's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2016.

Other Matter
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*. However, we identified a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001, that we consider to be a *significant deficiency*.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Aprio, LLP

Birmingham, Alabama
September 18, 2017

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 $1.9 million during 2016. Net Position was $41 million and $39.1 million for 2015 and 2016, respectively.

- Revenues decreased by $2.3 million during 2016, and were $18 million and $15.7 million for 2015 and 2016, respectively.

- The total expenses of all Authority programs (excluding the effect of the change in accounting principle) decreased $.7 million. Total expenses were $18.3 million and $17.6 million for 2015 and 2016, 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

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 and operating grants; 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.

Other – In addition to the significant programs above, the Authority also maintains the following reporting unit:

- Central Office Cost Center

AUTHORITY-WIDE STATEMENTS

TABLE 1
STATEMENT OF NET POSITION

The following table reflects the condensed Statement of Net Position compared to the prior year.

	2016	2015	Variance
Assets and Deferred Outflows of Resources:			
Current Assets & Restricted Assets	$ 7,744,014	$ 9,499,471	$ (1,755,457)
Capital Assets	72,783,583	73,703,767	(920,184)
Deferred Outflows of Resources	4,090,482	2,131,008	1,959,474
Total Assets and Deferred Outflows of Resources	**$ 84,618,079**	**$ 85,334,246**	**$ (716,167)**
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	$ 3,064,672	$ 2,960,452	$ 104,220
Non-Current Liabilities	41,598,793	40,772,479	826,314
Deferred Inflows of Resources	839,703	572,445	267,258
Total Liabilities and Deferred Inflows of Resources	**$ 45,503,168**	**$ 44,305,376**	**$ 1,197,792**
Net Position:			
Net Investment in Capital Assets	$ 43,482,243	$ 44,755,246	$ (1,273,003)
Restricted Net Position	837,777	1,065,974	(228,197)
Unrestricted Net Position	(5,205,109)	(4,792,350)	(412,759)
Total Net Position	**$ 39,114,911**	**$ 41,028,870**	**$ (1,913,959)**

Major Factors Affecting the Statement of Net Position

During 2016, there was a $1.8 million decrease in current and restricted assets due predominantly to the utilization of restricted debt proceeds during the year. Capital assets decreased due to depreciation exceeding capital expenditures on improvements to the Public Housing properties. For more detail see "Capital Assets" in Table 4 (below). Deferred outflows of resources increased due primarily to changes of assumptions applied in the July 1, 2015 Annual Report of the Actuary.

Current liabilities increased due mainly to an increase of the current portion of long-term debt as of year-end. Non-current liabilities increased due primarily to an increase in the pension liability recognized to fund obligations of the Authority's defined benefit retirement plan. Deferred inflows of resources increased due to the changes in proportion, and differences between employer contributions and the Authority's proportionate share of contributions as of the June 30, 2016 measurement date.

Restricted net position decreased as a result of a reduction of restricted Endowment Funds.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position, December 31, 2015	$ (4,792,350)
Results of Operations	(1,617,630)
Principal and Interest Expended on Capital Debt from Operations	(1,979,770)
Investment Income	853
Change in Restricted Net Position	228,197
Depreciation Expense	2,955,591
Unrestricted Net Position, December 31, 2016	$ (5,205,109)

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 table compares the revenues and expenses for the current and previous years.

	2016	2015	Variance
Revenues:			
Tenant Rental Revenue	$ 5,259,908	$ 5,221,314	$ 38,594
Operating Grants	9,477,800	11,733,289	(2,255,489)
Capital Contributions	639,121	798,736	(159,615)
Investment Income	853	1,641	(788)
Other Revenue	352,142	234,834	117,308
Total Revenues	**$ 15,729,824**	**$ 17,989,814**	**$ (2,259,990)**
Expenses and Effect of Change in Accounting Principle:			
Administrative Expenses	$ 4,228,562	$ 4,350,823	$ (122,261)
Tenant Services	184,055	259,883	(75,828)
Utilities	2,650,868	3,120,993	(470,125)
Maintenance & Operations	4,104,363	4,031,428	72,935
Protective Services	1,208,968	1,256,573	(47,605)
General Expense	1,375,073	1,287,809	87,264
Interest Expense	936,303	609,577	326,726
Depreciation	2,955,591	2,898,296	57,295
Home Ownership Assistance Expense	-	159,018	(159,018)
HOPE VI Project Expense	-	323,479	(323,479)
Effect of Change in Accounting Principle	-	9,466,158	(9,466,158)
Total Expenses and Effect of Change in Accounting Principle	**$ 17,643,783**	**$ 27,764,037**	**$ (10,120,254)**
Excess (Deficiency) of Revenues Over Expenses and the Effect of the Change in Accounting Principle	**$ (1,913,959)**	**$ (9,774,223)**	**$ 7,860,264**

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

Operating grants decreased due to decreased subsidies recognized under the Public Housing Program and the closing of the HOPE VI grant during 2015. Capital grants decreased due to decreased modernization activity of the HOPE VI revitalization project and a reduction of improvement activity on the Authority's Public Housing properties. Other revenue increased slightly due primarily to an increase in insurance refunds and claim proceeds recognized.

There was an overall decrease in expenses (excluding the effect of the change in accounting principle). Administrative expenses decreased slightly due to reduced salary costs incurred. Legal and other miscellaneous administrative expenses experienced modest decreases as well. Utility expenses decreased due mainly to reduced electricity costs, and diminished gas and fuel costs incurred during the winter months as the Authority continues to realize cost savings from the implementation of the Energy Performance Contract. See the Notes to the Financial Statements for additional information regarding the Energy Performance Contract.

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

Interest expense increased due to the placing-in-service of Phases I & II of the Energy Performance Contract improvements during 2015, and the resulting discontinuance of interest capitalization applicable to those Phases. The HOPE VI grant was fully expended and closed as of the end of 2015. Therefore, no home ownership assistance expenses, or HOPE VI project expenses were incurred during 2016. The 2015 effect of change in accounting principle was 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 $72.8 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of $.9 million from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	2016	2015	Variance	% Chang
Land	$ 1,993,866	$ 1,993,866	$ -	0%
Buildings and Improvements	163,636,687	160,071,241	3,565,446	2%
Furniture & Equipment	6,365,492	6,365,492	-	0%
Construction in Process	2,038,934	3,568,973	(1,530,039)	-43%
Accumulated Depreciation	(101,251,396)	(98,295,805)	(2,955,591)	3%
Net Capital Assets	**$ 72,783,583**	**$73,703,767**	**$ (920,184)**	**-1%**

TABLE 5

CHANGE IN CAPITAL ASSETS

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance, January 1, 2016	$73,703,767
Additions:	
Capital Fund Program - Improvements	14,121
Energy Project Expenditures - Improvements	2,021,286
Depreciation Expense	(2,955,591)
Ending Balance, December 31, 2016	$72,783,583

Debt Outstanding

As of year-end, the Authority had $29.7 million in debt (bonds, notes, etc.) outstanding.

Table 6

Outstanding Debt, at Year-end

	2016	2015
Capital Fund Revenue Bonds	$ 7,080,000	$ 7,705,000
Energy Performance Contract - Capital Debt	22,651,820	23,623,113
Total	**$ 29,731,820**	**$ 31,328,113**

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 Mr. Jelani Garrett, Interim 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, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Enterprise Fund
Current Assets	
Cash and Cash Equivalents	$ 5,878,613
Accounts Receivable - Grants	54,055
Tenants Accounts Receivable	143,466
Allowance for Doubtful Accounts	(16,814)
Prepaid Costs	189,479
Inventory	226,958
Total Current Assets	6,475,757
Restricted Assets	
Cash and Cash Equivalents	1,268,257
Total Restricted Assets	1,268,257
Capital Assets	
Land	1,993,866
Buildings and Improvements	163,636,687
Furniture & Equipment	6,365,492
Construction in Progress	2,038,934
	174,034,979
(Less): Accumulated Depreciation	(101,251,396)
Net Capital Assets	72,783,583
Total Assets	80,527,597
Deferred Outflows of Resources (Pension)	4,090,482
Total Assets and Deferred Outflows of Resources	$ 84,618,079

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT OF NET POSITION
DECEMBER 31, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Enterprise Fund
Current Liabilities	
Accounts Payable	$ 640,482
Accrued Wages and Payroll Taxes	92,905
Accrued Compensated Absences	148,553
Accrued Interest Payable	108,042
Tenant Security Deposits	314,208
Unearned Revenue	24,792
Current Portion of Capital Debt	1,735,690
Total Current Liabilities	3,064,672
Long Term Liabilities	
Long Term Capital Debt	27,996,130
Accrued Compensated Absences	148,555
Accrued Pension Liability	13,454,108
Total Long Term Liabilities	41,598,793
Total Liabilities	44,663,465
Deferred Inflows of Resources (Pension)	839,703
Total Liabilities and Deferred Inflows of Resources	45,503,168
Net Position	
Net Investment in Capital Assets	43,482,243
Restricted Net Position	837,777
Unrestricted Net Position	(5,205,109)
Total Net Position	39,114,911
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 84,618,079

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, 2016

	Enterprise Fund
Operating Revenues	
Tenant Revenue	$ 5,259,908
Operating Grants	9,477,800
Other Revenue	352,142
Total Operating Revenues	15,089,850
Operating Expenses	
Administrative	4,228,562
Tenant Services	184,055
Utilities	2,650,868
Maintenance and Operations	4,104,363
Protective Services	1,208,968
General Expense	1,375,073
Depreciation	2,955,591
Total Operating Expenses	16,707,480
Operating Income (Loss)	(1,617,630)
Non-Operating Revenues (Expenses)	
Investment Income	853
Interest Expense	(936,303)
Total Non-Operating Rev/(Exp)	(935,450)
Increase (decrease) before Capital Contributions	(2,553,080)
Capital Contributions	639,121
Increase (Decrease) in Net Position	(1,913,959)
Net Position, Beginning	41,028,870
Net Position, Ending	$ 39,114,911

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, 2016

	Enterprise Fund
Cash flows from operating activities:	
Cash Received from Dwelling Rent	$ 5,080,694
Cash Received from Operating Grants	9,482,010
Cash Received from Other Sources	316,154
Cash Payments for Salaries and Benefits	(7,323,649)
Cash Payments to Vendors and Landlords	(5,419,365)
Net cash provided (used) by operating activities	2,135,844
Cash flows from capital and related financing activities:	
Capital Grants Received	639,121
Capital Outlay	(1,963,233)
Principal and Interest paid on Capital Debt	(2,611,295)
Net cash provided (used) by capital & related financing activites	(3,935,407)
Cash flows from investing activities:	
Interest earned from cash and cash equivalents	853
Net cash provided (used) by investing activities	853
Net decrease in cash and cash equivalents	(1,798,710)
Total cash and cash equivalents, beginning of year	8,945,580
Total cash and cash equivalents, end of year	**$ 7,146,870**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income (Loss)	$ (1,617,630)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,955,591
Bad Debt Expense (Tenants)	105,358
Change in Tenant Accounts Receivable	(151,318)
Change in Accounts Receivable/Payable - Grants	4,210
Change in Other Accounts Receivable	1,111
Change in Prepaid Costs and Inventory	(2,614)
Change in Accounts Payable - Operating	33,148
Change in Accrued Expenses	2,565,199
Change in Deferred Outflows/Inflows	(1,692,216)
Change in Unearned Revenue - Tenant	(27,896)
Change in Security Deposits Held	(37,099)
Net cash provided (used) by operating activities	$ 2,135,844

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 and equipment	5 - 10 years

Authority management has assessed the carrying values of capital asset balances as of December 31, 2016, and as of September 18, 2017. No significant capital asset value impairments exist as of the noted dates.

Deferred Outflows and Inflows of Resources

A Deferred Outflow of Resources is a consumption of assets by the Authority that is applicable to a future reporting period. Conversely, a Deferred Inflow of Resources is an acquisition of 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 $6,715,890, and $430,480 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:

	Reconciled Book Balance	**Bank Deposits**
Insured by FDIC	$ 604,947	$ 604,947
Investments held in U.S. Treasury Obligations	430,480	430,480
Collateralized with specific securities pledged to the Authority and held by a third party financial institution	5,805,121	5,805,121
Uncollateralized	305,822	323,690
	$ 7,146,370	$ 7,164,238

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 – LONG-TERM CONTRACTUAL COMMITMENTS

The Authority did not have any long-term outstanding contractual commitments of significance as of December 31, 2016.

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 – INTER-PROGRAM 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 Inter-program Due to/Due from account balances. Inter-programs at the year end consisted of the following:

Central Office Cost Center	$ 531,585
Public Housing	(531,585)
	$ -

NOTE I - PENSION PLAN

Public Employees' Retirement System

Plan Description – The Authority is a participating employer in the State of New Jersey Public Employees' Retirement System (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 Pension Amounts by Employer' and the 'Sixty-first 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, 2015 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 of 2018. Contribution rates for employers are determined by an actuarial valuation. As of July 1, 2016, employees are required to contribute 7.21% of their annual salary and the Authority contributes an additional 12.30% of the employees' compensation.

During the years ended June 30, 2016, 2015 and 2014, the Authority's contributions to PERS required and made were approximately $403,565, $418,348, and $421,743, 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, 2016, the Authority reported a liability of $13,454,108 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the pension liability was determined by an actuarial valuation as of July 1, 2015 rolled forward to the measurement date of June 30, 2016. 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, 2016. At June 30, 2016, the Authority's proportion was .0454267772%, which was a decrease of .0032335141% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Authority recognized pension expense of $1,242,173. At December 31, 2016, 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	$ 250,206	$ -
Changes of assumptions	2,786,973	-
Net difference between projected and actual earnings on plan investments	513,017	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	540,286	839,703
Authority's contributions made subsequent to the measurement date of June 30, 2016	-	-
Total	$ 4,090,482	$ 839,703

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:	
2017	$ 799,294
2018	799,294
2019	926,009
2019	777,983
2020	247,616
Total	**$ 3,550,196**

NOTE I – PENSION PLAN - CONTINUED

Actuarial Assumptions – The collective total pension liability as of the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary increases	
(through 2026)	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment rate of return	7.65%

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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

NOTE I – PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

In accordance with state statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

	Target Allocation	Long-Term Expected Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	**100.00%**	

Discount rate – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining that total pension liability.

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. Obligations and benefits of the plan are established by, and may be amended by State statute. 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. Required contributions are actuarially determined. A single actuarial valuation covers all plan members, and the same contribution rate applies for each employer. Stand-alone Plan financial statements and required supplementary information can be found at www.state.nj.us/treasury/pensions/pubslist.shtml. The total expenditures for post employment health care benefits for current retirees were $647,009 and total expenditures for current and post employment health care benefits for active employees were $1,036,670, which represented 100% of the Authority's required contributions for the year. Total contributions for 2015 and 2014, for post employment benefits for current retirees and current and post employment benefits for active employees were $1,591,966 and $1,483,946 respectively, which represented 100% of the Authority's 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, 2016, 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 Bonds bear interest at a rate not to exceed 4.7%, are paid semi-annually and mature in 2025. Interest expense incurred during the year was $342,482. The principal balance at December 31, 2016 was $7,080,000. The Bonds are payable as follows:

	Principal	Interest	Balance Due
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	780,000	192,818	3,515,000
2022 - 2025	3,515,000	381,875	-
	$ 7,080,000	$ 1,672,449	$ -

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 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 applicable to Phases I and II of the installation project (placed into service during 2015) and expensed during the year were $593,821. Interest expenditures applicable to Phase III of the project and capitalized during the year were $72,174. The principal balance at December 31, 2016 was $22,651,820. Debt service requirements are as follows:

	Principal	Interest	Balance Due
2017	$ 1,085,690	$ 633,684	$ 21,566,130
2018	1,165,541	601,592	20,400,589
2019	1,261,983	567,000	19,138,606
2020	1,363,413	529,584	17,775,193
2021	1,470,052	489,200	16,305,141
2022 - 2026	9,148,856	1,725,304	7,156,285
2027 - 2029	7,156,285	324,813	-
	$ 22,651,820	$ 4,871,177	$ -

NOTE L – LONG TERM DEBT - CONTINUED

A summary of long term liabilities is as follows at December 31, 2016:

	January 1, 2016 Balance	Increase	Decrease	December 31, 2016 Balance	Due Within One Year
Bonds Payable	$ 7,705,000	$ -	$ 625,000	$ 7,080,000	$ 650,000
EPC Lease Purchase Agreement	23,623,113	-	971,293	22,651,820	1,085,690
Compensated Absences	234,788	297,108	234,788	297,108	148,553
Accrued Pension Liability	10,923,260	2,530,848	-	13,454,108	-
Less: Current portion	(1,713,682)			(1,884,243)	
Long Term Liabilities	$ 40,772,479	$ 2,827,956	$ 1,831,081	$ 41,598,793	$ 1,884,243

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	$ 430,480
Other Funds Restricted for Development	204,421
HOPE VI Endowment Proceeds	633,356
Total Restricted Cash	**$ 1,268,257**

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, $837,777 is reported as Restricted in the Net Position portion of the Statement of Net Position.

NOTE O – HOPE VI PROJECT EXPENSE

Through the end of 2015, the Authority loaned $13,519,310 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. 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. Any assets received as reimbursement of this loan will be recognized as revenue upon receipt. No funds were loaned and no reimbursements were received during 2016.

NOTE P – CAPITAL ASSETS

Summaries of Capital Assets as of December 31, 2016 are as follows:

	PUBLIC HOUSING & CFP	COCC	TOTAL
Land	$ 1,976,466	$ 17,400	$ 1,993,866
Building and Improvements	163,249,675	387,012	163,636,687
Furniture, Fixtures and Equipment	4,195,218	2,170,274	6,365,492
Construction in Process	2,038,934	-	2,038,934
Less Accumulated Depreciation	(98,887,871)	(2,363,525)	(101,251,396)
Total Capital Assets	$ 72,572,422	$ 211,161	$ 72,783,583

	January 1, 2016 Balance	Additions	Transfers & Deletions	December 31, 2016 Balance
Land	$ 1,993,866	$ -	$ -	$ 1,993,866
Construction in Process	3,568,973	2,035,407	(3,565,446)	2,038,934
Total Assets not being depreciated	5,562,839	2,035,407	(3,565,446)	4,032,800
Buildings and Improvements	160,071,241	-	3,565,446	163,636,687
Furniture and Equipment	6,365,492	-	-	6,365,492
Total Capital Assets	171,999,572	2,035,407	-	174,034,979
Less Accumulated Depreciation				
Buildings and Improvements	(92,097,072)	(2,924,738)	-	(95,021,810)
Furniture and Equipment	(6,198,733)	(30,853)	-	(6,229,586)
Net Book Value	$ 73,703,767	$ (920,184)	$ -	$ 72,783,583

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 – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through September 18, 2017, 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, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Public Housing & Capital Fund Programs	Central Office Cost Center	Elimination	Total Enterprise Fund
Current Assets				
Cash and Cash Equivalents	$ 5,221,159	$ 657,454	$ -	$ 5,878,613
Accounts Receivable - Grants	54,055	-	-	54,055
Tenants Accounts Receivable	143,466	-	-	143,466
Allowance for Doubtful Accounts	(16,814)	-	-	(16,814)
Prepaid Costs	161,874	27,605	-	189,479
Inventory	226,958	-	-	226,958
Inter-program Receivable	-	531,585	(531,585)	-
Total Current Assets	5,790,698	1,216,644	(531,585)	6,475,757
Restricted Assets				
Cash and Cash Equivalents	1,268,257	-	-	1,268,257
Total Restricted Assets	1,268,257	-	-	1,268,257
Capital Assets				
Land	1,976,466	17,400	-	1,993,866
Buildings and Improvements	163,249,675	387,012	-	163,636,687
Furniture & Equipment	4,195,218	2,170,274	-	6,365,492
Construction in Progress	2,038,934	-	-	2,038,934
	171,460,293	2,574,686	-	174,034,979
(Less): Accumulated Depreciation	(98,887,871)	(2,363,525)	-	(101,251,396)
Net Capital Assets	72,572,422	211,161	-	72,783,583
Total Assets	79,631,377	1,427,805	(531,585)	80,527,597
Deferred Outflows of Resources (Pension)	3,128,508	961,974	-	4,090,482
Total Assets and Deferred Outflows of Resources	$ 82,759,885	$ 2,389,779	$ (531,585)	$ 84,618,079

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM
DECEMBER 31, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Public Housing & Capital Fund Programs	Central Office Cost Center	Elimination	Total Enterprise Fund
Current Liabilities				
Accounts Payable	$ 628,684	$ 11,798	$ -	$ 640,482
Accrued Wages and Payroll Taxes	70,869	22,036	-	92,905
Accrued Compensated Absences	103,051	45,502	-	148,553
Accrued Interest Payable	108,042	-	-	108,042
Tenant Security Deposits	314,208	-	-	314,208
Unearned Revenue	24,792	-	-	24,792
Current Portion of Capital Debt	1,735,690	-	-	1,735,690
Inter-program Payable	531,585	-	(531,585)	-
Total Current Liabilities	3,516,921	79,336	(531,585)	3,064,672
Long Term Liabilities				
Long Term Capital Debt	27,996,130	-	-	27,996,130
Accrued Compensated Absences	103,053	45,502	-	148,555
Accrued Pension Liability	10,290,058	3,164,050	-	13,454,108
Total Long Term Liabilities	38,389,241	3,209,552	-	41,598,793
Total Liabilities	41,906,162	3,288,888	(531,585)	44,663,465
Deferred Inflows of Resources (Pension)	642,226	197,477	-	839,703
Total Liabilities and Deferred Inflows of Resources	42,548,388	3,486,365	(531,585)	45,503,168
Net Position				
Net Investment in Capital Assets	43,271,082	211,161	-	43,482,243
Restricted Net Position	837,777	-	-	837,777
Unrestricted Net Position	(3,897,362)	(1,307,747)	-	(5,205,109)
Total Net Position	40,211,497	(1,096,586)	-	39,114,911
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 82,759,885	$ 2,389,779	$ (531,585)	$ 84,618,079

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, 2016

	Public Housing & Capital Fund Programs	Central Office Cost Center	Elimination	Total Enterprise Fund
Operating Revenues				
Tenant Revenue	$ 5,259,908	$ -	$ -	$ 5,259,908
Operating Grants	9,477,800	-	-	9,477,800
Other Revenue	286,390	1,808,031	(1,742,279)	352,142
Total Operating Revenues	15,024,098	1,808,031	(1,742,279)	15,089,850
Operating Expenses				
Administrative	4,476,632	1,494,209	(1,742,279)	4,228,562
Tenant Services	184,055	-	-	184,055
Utilities	2,617,806	33,062	-	2,650,868
Maintenance and Operations	4,071,838	32,525	-	4,104,363
Protective Services	1,208,968	-	-	1,208,968
General Expense	1,215,986	159,087	-	1,375,073
Depreciation	2,930,531	25,060	-	2,955,591
Total Operating Expenses	16,705,816	1,743,943	(1,742,279)	16,707,480
Operating Income (Loss)	(1,681,718)	64,088	-	(1,617,630)
Non-Operating Revenues (Expenses)				
Investment Income	846	7	-	853
Interest Expense	(936,303)	-	-	(936,303)
Total Non-Operating Rev/(Exp)	(935,457)	7	-	(935,450)
Increase (decrease) before Capital Contributions	(2,617,175)	64,095	-	(2,553,080)
Capital Contributions	639,121	-	-	639,121
Increase (Decrease) in Net Position	(1,978,054)	64,095	-	(1,913,959)
Net Position, Beginning	42,189,551	(1,160,681)	-	41,028,870
Net Position, Ending	$ 40,211,497	$ (1,096,586)	$ -	$ 39,114,911

THE HOUSING AUTHORITY OF THE CITY OF
TRENTON, NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

EXPENDITURES	
Low Rent Public Housing Expenditures	
Total CFDA Number 14.850a	$ 8,410,806
Public Housing Capital Fund Program	
Total CFDA Number 14.872	1,706,115
TOTAL HUD EXPENDITURES	10,116,921
TOTAL FEDERAL EXPENDITURES	$ 10,116,921

NOTE 1 – BASIS OF PRESENATION

The above Schedule of Expenditures of Federal Awards includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2016. 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*. Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial net position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Authority has elected not to use the 10% *De Minimus Indirect Cost Rate* allowed under the Uniform Guidance.

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

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

DECEMBER 31, 2016

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?	__X__Yes	____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?	__X__Yes	____No

Identification of major programs:

Name of Federal Program	CFDA No.
Public Housing Program	14.850a

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, 2016

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:

Finding 2016-001 – Insufficient Collateralization of Deposits

Public Housing Program – CFDA No. 14.850a, Year-ended December 31, 2016

Criteria

PIH Notice 96-33 requires PHA's to continuously and fully secure all bank deposits which exceed federally-insured balances.

Condition and Perspective

As of December 31, 2016, the Authority's bank deposit balances were under-collateralized by $323,690. This was due, in part, to a $317,129 HUD grant deposit made into one of the Commission's bank accounts on December 30, 2016 (the last business day of the year) which applied to January of 2017.

Cause

The Authority's bank was not securing all deposit accounts based on the current business day's deposit balance.

Questioned Costs – None

Recommendation

We recommend that the Authority monitor collateralization over bank deposits regularly.

Management's Response

The Authority's Director of Finance has assumed the responsibility of monitoring the collateralization of bank deposits regularly. Management expects an elevated monitoring process to be in place and executed by October 1, 2017.

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

CORRECTIVE ACTION PLAN

DECEMBER 31, 2016

Management's Corrective Action Plan

The Authority will implement and execute an ongoing monitoring process over the collateralization of bank deposits and expects the deficiencies which led to this Finding to be resolved by October 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following table presents the Authority's proportionate share of the net pension liability as of June 30, 2016, 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)	16,486,440	13,454,108	10,950,656

Schedule of Proportionate Share of Net Pension Liability

	Year Ended June 30, 2015	Year Ended June 30, 2016
Authority's proportion of the net pension liability (asset)	0.0486602913%	0.0454267772%
Authority's proportionate share of the net pension liability (asset)	$ 10,923,260	$ 13,454,108
Authority's covered-employee payroll	$ 3,536,331	$ 3,281,016
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	308.89%	410.06%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%

Schedule of Employer's Required Contributions

	Year Ended June 30, 2015	Year Ended June 30, 2016
Contractually required contribution	$ 418,348	$ 403,565
Contributions in relation to the contractually required contribution	418,348	403,565
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll used in calculation	$ 3,536,331	$ 3,281,016
Contributions as a percentage of covered-payroll	11.83%	12.30%

Note: GASBS No. 68 was implemented in fiscal year 2015. These schedules are being built prospectively. Ultimately, ten years of data will be shown.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

Changes in Plan benefit terms and changes in assumptions applied since the previous actuarial valuation are summarized below in the following Schedule:

Schedule of Changes in Benefit Terms and Assumptions Applied

	Actuarial Valuation as of July 1, 2014	**Actuarial Valuation as of July 1, 2015**
Change in Benefit Terms	N/A	None
Change in Assumptions		
Inflation Rate	N/A	.04% Increase
Average Salary Increases	N/A	(.38%) Decrease
Investment Rate of Return	N/A	(.25%) Decrease