

THE HOUSING AUTHORITY OF THE CITY OF
TRENTON, NEW JERSEY

REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

YEAR ENDED DECEMBER 31, 2019

THE HOUSING AUTHORITY OF THE CITY OF
TRENTON, NEW JERSEY

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INDEPENDENT AUDITOR'S 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, 2019, 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 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, 2019, 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, the Schedules of Proportionate Share of Net Pension Liability and Employer's Required Contributions on pages 51 through 53, and the Schedules of Proportionate Share of Net OPEB Liability and Employer's Required Contributions on pages 54 and 55 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. Supplementary data is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented for the Department of Housing and Urban Development's information and is not a required part of the basic 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 Financial Data Schedule, the Schedule of Expenditures of Federal Awards and other supplementary data 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 March 22, 2021 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.



Birmingham, Alabama
March 22, 2021

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

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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 22, 2021.

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) as a basis for designing 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* and therefore, *material weaknesses* or *significant deficiencies* may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2190-001, that we consider to be a *material weakness*.

Compliance and Other Matters

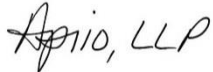
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Authority's Response to the Finding

The Authority's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, slightly slanted style.

Birmingham, Alabama
March 22, 2021

INDEPENDENT AUDITOR'S 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, 2019. The Authority's major federal programs are identified in the Summary of Auditor's 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 the major federal programs for the year ended December 31, 2019.

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 federal 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.

Aprio, LLP

Birmingham, Alabama
March 22, 2021

**THE HOUSING AUTHORITY OF THE CITY OF TRENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Housing Authority of the City of Trenton'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 increased \$.9 million during 2019. Net Position was \$14.1 million and \$15 million for 2018 and 2019, respectively.

- Revenues increased by \$3.9 million during 2019, and were \$17.5 million and \$21.4 million for 2018 and 2019, respectively.

- Total expenses of all Authority programs increased by \$1.8 million and were \$18.7 million for 2018 and \$20.5 million for 2019, 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 units:

- Central Office Cost Center
- Resident Opportunity and Supportive Services Program
- Community Development Block Grant

TABLE 1
CONDENSED STATEMENT OF NET POSITION

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

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Assets and Deferred Outflows of Resources:			
Current Assets and Restricted Assets	\$ 6,300,825	\$ 5,393,824	\$ 907,001
Capital Assets	66,984,586	68,903,447	(1,918,861)
Deferred Outflows of Resources	1,322,553	2,215,121	(892,568)
Total Assets and Deferred Outflows of Resources	<u>\$ 74,607,964</u>	<u>\$ 76,512,392</u>	<u>\$ (1,904,428)</u>
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	\$ 4,661,450	\$ 3,494,787	\$ 1,166,663
Non-Current Liabilities	41,576,717	47,452,022	(5,875,305)
Deferred Inflows of Resources	13,354,838	11,428,860	1,925,978
Total Liabilities and Deferred Inflows of Resources	<u>\$ 59,593,005</u>	<u>\$ 62,375,669</u>	<u>\$ (2,782,664)</u>
Net Position:			
Net Investment in Capital Assets	\$ 42,805,980	\$ 42,765,532	\$ 40,448
Restricted Net Position	204,471	300,484	(96,013)
Unrestricted Net Position	(27,995,492)	(28,929,293)	933,801
Total Net Position	<u>\$ 15,014,959</u>	<u>\$ 14,136,723</u>	<u>\$ 878,236</u>

Major Factors Affecting the Condensed Statement of Net Position

During 2019 there was a \$.9 million increase of current and restricted assets due primarily to an increase of cash from positive operating cash flows. See the Statement of Cash Flows for additional detail regarding cash inflows and outflows. Capital assets decreased due to depreciation and dispositions exceeding capital expenditures on improvements to the Public Housing properties. For more detail see "Capital Assets" in Table 4 (below). Deferred outflows of resources decreased due primarily to changes of assumptions applied in the July 1, 2018 Report of the Actuary used to determine the Authority's net pension liability.

Current liabilities increased due mainly to an increase of unearned revenue from unexpended grant proceeds received through the Capital Fund Program. Non-current liabilities decreased due primarily to reductions of the pension and other post-employment benefit liabilities at year-end, and the retirement of capital debt obligations. Deferred inflows of resources increased due primarily to differences between projected and actual experience of the pension plan and changes in the Authority's proportion of participation in the State of New Jersey Retired Employees' Health Benefit Plan as of the June 30, 2019 measurement date.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position, January 1, 2019	\$ (28,929,293)
Results of Operations	477,959
Capital Asset Expenditures from Operations	(586,235)
Principal and Interest Expended on Capital Debt from Operations	(2,081,694)
Interest Income	490
Restricted HOPE VI Endowment Funds Expended	96,013
Depreciation Expense	<u>3,027,268</u>
Unrestricted Net Position, December 31, 2019	<u><u>\$ (27,995,492)</u></u>

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

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following Schedule compares the revenues and expenses for the current and previous years.

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Revenues:			
Tenant Rental Revenue	\$ 5,834,471	\$ 5,284,754	\$ 549,717
Operating Grants	12,320,414	10,687,309	1,633,105
Capital Contributions	2,245,350	1,173,397	1,071,953
Interest Income	490	1,267	(777)
Other Revenue	1,019,667	330,484	689,183
Total Revenues	\$ 21,420,392	\$ 17,477,211	\$ 3,943,181
Expenses:			
Administrative Expenses	\$ 3,521,797	\$ 3,557,623	\$ (35,826)
Tenant Services	137,745	173,518	(35,773)
Utilities	2,793,017	2,808,348	(15,331)
Maintenance and Operations	5,186,694	5,332,787	(146,093)
Protective Services	1,295,075	1,382,389	(87,314)
General Expense	1,923,224	1,552,961	370,263
RAD Conversion Costs	811,773	-	811,773
Interest Expense	819,709	884,247	(64,538)
Loss on the Disposition of Capital Assets	1,025,854	-	1,025,854
Depreciation	3,027,268	3,061,086	(33,818)
Total Expenses	\$ 20,542,156	\$ 18,752,959	\$ 1,789,197
Excess (Deficiency) of Revenues Over Expenses	\$ 878,236	\$ (1,275,748)	\$ 2,153,984

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

Overall, total revenues increased \$3.9 million. Rental revenue increased due mainly to increased tenant employment. Operating grants increased due to increases of both Public Housing and Capital Fund Program operating subsidies recognized. Capital contributions increased due to increased modernization activity on the Authority's Public Housing properties. Other revenue increased due primarily to a benefit recognized from the Retired Employees' Health Benefit Plan.

Maintenance expense decreased due to reductions of personnel and related costs incurred. General expenses increased due to increased insurance costs, increased tenant bad debt expense recognized, and other general expenses incurred. RAD Conversion Costs incurred during 2019 consisted of preliminary costs of the Authority's participation in the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) Program in which the Authority converted its Page Homes dwelling property into a Section 8-assisted property known as Turner Pointe Apartments. The 2019 loss on the disposition of capital assets is a result of the demolition of the Page Homes apartment complex during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$67 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$1.9 million from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	<u>2019</u>	<u>2018</u>	<u>Variance</u>	<u>% Change</u>
Land	\$ 1,993,866	\$ 1,993,866	\$ -	0%
Buildings and Improvements	159,578,883	166,498,840	(6,919,957)	-4%
Furniture and Equipment	6,183,435	6,442,608	(259,173)	-4%
Construction in Process	2,808,715	1,249,037	1,559,678	125%
Accumulated Depreciation	<u>(103,580,313)</u>	<u>(107,280,904)</u>	<u>3,700,591</u>	<u>-3%</u>
Net Capital Assets	<u>\$ 66,984,586</u>	<u>\$ 68,903,447</u>	<u>\$ (1,918,861)</u>	<u>-3%</u>

TABLE 5

CHANGE IN CAPITAL ASSETS

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance, January 1, 2019	\$ 68,903,447
Additions:	
Capital Fund Program - Improvements	1,232,850
Community Development Block Grant - Improvements	302,500
Other Construction in Process Additions	590,586
Equipment Purchases	8,325
Disposals - net	(1,025,854)
Depreciation Expense	<u>(3,027,268)</u>
Ending Balance, December 31, 2019	<u>\$ 66,984,586</u>

DEBT OUTSTANDING

As of year-end, the Authority had \$24.2 million in capital debt outstanding.

TABLE 6

OUTSTANDING DEBT, AT YEAR-END

	December 31, <u>2019</u>	December 31, <u>2018</u>
Capital Fund Revenue Bonds	\$ 5,040,000	\$ 5,750,000
Energy Performance Contract - Capital Debt	<u>19,138,606</u>	<u>20,400,591</u>
Total	<u>\$ 24,178,606</u>	<u>\$ 26,150,591</u>

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 the Authority's Executive Director. Specific requests may be submitted to The Housing Authority of the City of Trenton, 875 New Willow Street, Trenton, New Jersey 08638.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT OF NET POSITION
DECEMBER 31, 2019

**ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

	Enterprise Fund
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 5,475,398
Accounts Receivable, Net	220,348
Prepaid Costs	275,334
Inventory	125,274
Total Current Assets	<u>6,096,354</u>
<u>Restricted Assets</u>	
Cash and Cash Equivalents	<u>204,471</u>
Total Restricted Assets	<u>204,471</u>
<u>Capital Assets</u>	
Land	1,993,866
Buildings and Improvements	159,578,883
Furniture and Equipment	6,183,435
Construction in Process	<u>2,808,715</u>
	170,564,899
(Less): Accumulated Depreciation	<u>(103,580,313)</u>
Net Capital Assets	<u>66,984,586</u>
Total Assets	<u>73,285,411</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows of Resources - Pension	1,143,619
Deferred Outflows of Resources - OPEB	<u>178,934</u>
Total Deferred Outflows of Resources	<u>1,322,553</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 74,607,964</u>

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
STATEMENT OF NET POSITION
DECEMBER 31, 2019

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND NET POSITION**

	Enterprise Fund
<u>Current Liabilities</u>	
Accounts Payable	\$ 793,031
Accrued Wages and Payroll Taxes	275,714
Accrued Compensated Absences	81,518
Accrued Interest Payable	91,228
Tenant Security Deposits	358,816
Unearned Revenue	952,730
Current Portion of Capital Debt	2,108,413
Total Current Liabilities	<u>4,661,450</u>
<u>Long Term Liabilities</u>	
Long Term Capital Debt	22,070,193
Accrued Compensated Absences	193,658
Accrued Pension Liability	7,563,275
Accrued OPEB Liability	11,749,591
Total Long Term Liabilities	<u>41,576,717</u>
Total Liabilities	<u>46,238,167</u>
<u>Deferred Inflows of Resources</u>	
Deferred Inflows of Resources - Pension	3,491,418
Deferred Inflows of Resources - OPEB	9,863,420
Total Deferred Inflows of Resources	<u>13,354,838</u>
Total Liabilities and Deferred Inflows of Resources	<u>59,593,005</u>
<u>Net Position</u>	
Net Investment in Capital Assets	42,805,980
Restricted Net Position	204,471
Unrestricted Net Position	(27,995,492)
Total Net Position	<u>15,014,959</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 74,607,964</u>

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, 2019**

	Enterprise Fund
<u>Operating Revenues</u>	
Dwelling Rent	\$ 5,834,471
Operating Grants	12,320,414
Other Revenue	1,019,667
Total Operating Revenues	<u>19,174,552</u>
<u>Operating Expenses</u>	
Administrative	3,521,797
Tenant Services	137,745
Utilities	2,793,017
Maintenance and Operations	5,186,694
Protective Services	1,295,075
General Expense	1,923,224
RAD Conversion Costs	811,773
Depreciation	3,027,268
Total Operating Expenses	<u>18,696,593</u>
Operating Income (Loss)	<u>477,959</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	490
Loss on the Disposition of Capital Assets	(1,025,854)
Interest Expense	(819,709)
Total Non-Operating Rev/(Exp)	<u>(1,845,073)</u>
Increase (decrease) before Capital Contributions	<u>(1,367,114)</u>
Capital Contributions	<u>2,245,350</u>
Increase (Decrease) in Net Position	878,236
Net Position, Beginning	<u>14,136,723</u>
Net Position, Ending	<u>\$ 15,014,959</u>

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, 2019**

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Cash Received from Dwelling Rent	\$ 5,640,646
Cash Received from Operating Grants	13,296,064
Cash Received from Other Sources	460,417
Cash Payments for Salaries and Benefits	(7,514,522)
Cash Payments to Vendors and Landlords	(8,272,163)
Net cash provided (used) by operating activities	<u>3,610,442</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital Grants Received	2,480,930
Capital Outlay	(2,115,401)
Principal and Interest paid on Capital Debt	(2,793,498)
Net cash provided (used) by capital and related financing activities	<u>(2,427,969)</u>
<u>Cash flows from investing activities:</u>	
Interest earned from cash and cash equivalents	490
Net cash provided (used) by investing activities	<u>490</u>
Net increase in cash and cash equivalents	1,182,963
Total cash and restricted cash, beginning of year	<u>4,496,906</u>
Total cash and restricted cash, end of year	<u><u>\$ 5,679,869</u></u>

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

Operating Income (Loss)	\$ 477,959
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	3,027,268
Bad Debt Expense (Tenants)	213,262
Change in Tenant Accounts Receivable	(198,383)
Change in Accounts Receivable/Payable - Grants	975,650
Change in Other Accounts Receivable	(103,427)
Change in Prepaid Costs and Inventory	58,697
Change in Accounts Payable - Operating	100,142
Change in Accrued Expenses	(3,761,709)
Change in Deferred Outflows/Inflows	2,818,546
Change in Unearned Revenue (Tenants)	4,558
Change in Security Deposits Held	(2,121)
Net cash provided (used) by operating activities	<u><u>\$ 3,610,442</u></u>

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF
TRENTON, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 when 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 applicable 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 receivable total \$314,507 are reported net of an allowance for doubtful accounts of \$197,586. Other non-tenant receivables totaled \$103,427.

Prepaid Items and Inventory

Prepaid items and inventory consist 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 and consisted of \$47,313 of prepaid tenant rents and \$905,417 of unexpended grant proceeds.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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-program revenues and expenses for internal activity. The policy is to eliminate any material inter-program 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, 2019, and as of March 22, 2021. No significant capital asset value impairments exist as of the noted dates.

PILOT Agreement

The Authority has entered into a Payment-in-Lieu of Taxes (PILOT) Agreement with the City of Trenton, whereby the Partnership agrees to pay a negotiated sum in lieu of local real property taxes. The Authority incurred PILOT expense of \$284,298 during 2019 and owed the City \$284,298 as of December 31, 2019. This amount is reported in the Accounts Payable accrual on the Authority's Statement of Net Position.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in *Section 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards, Statement No. 14 (amended)*, of the *Governmental Accounting Standards Board: The Financial Reporting Entity, Statement No. 39: Determining Whether Certain Organizations are Component Units*, and *Statement No. 61: The Financial Reporting Entity: Omnibus*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity includes the following blended component units:

Trenton City Housing and Redevelopment Corporation (TCHRC) is a related not-for-profit New Jersey corporation, which was created to serve as an instrumentality of the Authority in facilitating low-moderate income housing opportunities in the Trenton community. TCHRC's Board of Directors is substantively the same as the Authority's board and the Authority maintains operational responsibility of TCHRC. TCHRC's year end is December 31. However, TCHRC did not have any financial activity during 2019 or financial balances as of December 31, 2019.

Page Homes Redevelopment, LLC (PHR, LLC) is a related limited liability company. TCHRC is the sole member of PHR, LLC. PHR, LLC was created to serve as an instrumentality of the Authority, to facilitate the Page Homes Redevelopment Project through the Authority's participation in HUD's Rental Assistance Demonstration (RAD) Program. PHR, LLC's year end is December 31. However, PHR, LLC did not have any financial activity during 2019 or financial balances as of December 31, 2019.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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 consisted of funds held in interest and non-interest-bearing checking accounts totaling \$5,679,369. The remaining \$500 is held in the form of petty cash or a change fund. Deposits with financial institutions are secured as follows:

Insured by FDIC	\$ 635,860
Collateralized with specific securities pledged to the Authority and held by a third party financial institution	<u>5,191,406</u>
	<u>\$ 5,827,266</u>

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - 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-Second Annual Report of the Actuary' which can be found at www.state.nj.us/treasury/financial-reports.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:

<u>Tier</u>	<u>Definition</u>
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, 2018 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, in July 2012, the member contribution rate increased by 1/7th of 1% each July through July of 2018 when a 7.50%-member contribution rate was reached. Contribution rates for employers are determined by an actuarial valuation. As of July 1, 2019, employees are required to contribute 7.50% of their annual salary and the Authority contributes an additional 12.99% of the employees' compensation.

During the years ended June 30, 2019, 2018 and 2017, the Authority's contributions to PERS required and made were approximately \$408,294, \$418,314, and \$377,906, 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE D – PENSION PLAN - CONTINUED

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

At December 31, 2019, the Authority reported a liability of \$7,563,275 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the pension liability was determined by an actuarial valuation as of July 1, 2018 rolled forward to the measurement date of June 30, 2019. 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, 2019. At June 30, 2019, the Authority's proportion was .0419750918%, which was a reduction of .0000802723% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Authority recognized pension expense of \$171,055. At December 31, 2019, 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	\$ 135,751	\$ 33,411
Changes of assumptions	755,221	2,625,189
Net difference between projected and actual earnings on plan investments	-	119,389
Changes in proportion and differences between employer contributions and proportionate share of contributions	252,647	713,429
Authority's contributions made subsequent to the measurement date of June 30, 2019	-	-
Total	\$ 1,143,619	\$ 3,491,418

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:

<u>Year Ended June 30:</u>	
2020	\$ (218,393)
2021	(708,462)
2022	(632,616)
2023	(297,046)
2024	(30,500)
Total	<u>\$ (1,887,017)</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE D – PENSION PLAN - CONTINUED

Actuarial Assumptions – The collective total pension liability as of the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75%
Salary increases (through 2026)	2.00 – 6.00% based on age
Thereafter	3.00 – 7.00% based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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. Best estimates of arithmetic rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Risk Migration Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
Total	<u>100.00%</u>	

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE D – PENSION PLAN – CONTINUED

Discount rate – The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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 liability to changes in the discount rate - The following table presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 5.66 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.28%) or 1 percentage point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's Net Pension Liability	9,620,107	7,563,275	5,927,054

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E – RETIRED EMPLOYEES HEALTH BENEFIT PLAN

Plan Description – The Authority is a participating employer in the State of New Jersey Local Government Retired Employees Health Benefit Plan (the Plan), a cost-sharing multiple employer defined benefit other post-employment benefit (OPEB) plan, which is administered as a trust. It covers employees of local government employers that have adopted a resolution to participate in the Plan. All of the Authority's eligible retirees receive health insurance benefits through the Plan. Obligations and benefits of the Plan are established and may be amended by State statute. Under the Plan; benefits risks and liabilities are pooled (shared) and Plan 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. Plan financial statements and required supplementary information are reported with the State's PERS financial statements and can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml. The Plan's net OPEB liability, deferred outflows of resources, deferred inflows of resources and fiduciary net position are accounted for and reported using the accrual basis under U.S. Generally Accepted Accounting Principles.

Benefits Provided – The Plan provides medical and prescription drugs to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 48, P.L. 1999, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a Collective Negotiations Agreement.

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for post-retirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Contributions – Required contributions made to, and recognized by the Plan during the year ended December 31, 2019 were actuarially determined under the authority of the State of New Jersey and totaled \$283,146.

The funding policy for the Plan is pay-as-you-go; therefore, there is no pre-funding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the Plan are collected from participating local employers and retired members. Local employers and retired members remit contributions on a monthly basis.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E – RETIRED EMPLOYEES HEALTH BENEFIT PLAN - CONTINUED

Investment of Plan Assets – The OPEB Plan only invests in the State of New Jersey Cash Management Fund. The long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 2.00%.

Components of Net OPEB Liability – GASB Statement No. 75 (GASBS No. 75) requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB benefit. The Plan's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB benefit are allocated to the Authority based on the ratio of the Plan members of the Authority to the total members of the Plan during the measurement period of July 1, 2018 through June 30, 2019.

The components of the Authority's net OPEB liability of the Plan as of June 30, 2019 are as follows:

<u>Components of Net OPEB Liability</u>	
Total OPEB Liability	\$ 11,986,536
Plan Fiduciary Net Position	236,945
Total	<u>\$ 11,749,591</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to the June 30, 2019 measurement date using standardized update procedures based on the assumptions applied to the June 30, 2018 actuarial valuation, identified below.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E – RETIRED EMPLOYEES HEALTH BENEFIT PLAN - CONTINUED

Actuarial Assumptions – This actuarial valuation used the following actuarial assumptions:

Inflation	2.50%
Salary increases (through 2026)	2.00 – 6.00% based on age
Thereafter	3.00 – 7.00% based on age

The actuarial assumptions with respect to salary increases were 1.65% - 8.98% through 2026 and 2.65% - 9.98% thereafter as of the June 30, 2018 measurement date. The actuarial assumption with respect to inflation has not changed since the June 30, 2018 measurement date.

Mortality rates were based on the Pub-2010 General Headcount-Weighted Mortality Table with fully generational mortality improvement projections from the central year using the MP-2019 Scale.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the State of New Jersey Public Employees' Retirement System's (PERS) experience studies, which were prepared for the periods July 1, 2013 through June 30, 2018 and July 1, 2014 through June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions - For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the healthcare trend rate - The following table presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare trend rate as disclosed above, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's Net OPEB Liability (Asset)	9,915,207	11,749,591	14,089,657

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E – RETIRED EMPLOYEES HEALTH BENEFIT PLAN - CONTINUED

Discount rate – The discount rate used to measure the net OPEB liability was 3.50% as of June 30, 2019. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate. The discount rate decreased .37% from the discount rate as of the June 30, 2018 measurement date of 3.87%.

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the discount rate - The following table presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.50%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Authority's Net OPEB Liability (Asset)	13,585,516	11,749,591	10,257,659

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E – RETIRED EMPLOYEES HEALTH BENEFIT PLAN - CONTINUED

OPEB Benefit, Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority's proportion of the net OPEB liability was based on the ratio of the Authority's Plan members relative to the total number of members to the Plan during the measurement period of July 1, 2018 through June 30, 2019. At June 30, 2019, the Authority's proportion was .086738%, which was a decrease of .00789% from its proportion measured as of June 30, 2018 of .094628%.

For the year ended December 31, 2019, the Authority recognized an OPEB benefit of \$453,702. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 3,436,038
Changes of assumptions	-	4,163,794
Net difference between projected and actual earnings on plan investments	9,678	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,263,588
Authority's contributions made subsequent to the measurement date of June 30, 2019	169,256	-
Total	\$ 178,934	\$ 9,863,420

The amounts below do not include deferred outflows of resources related to the Authority's contributions subsequent to the measurement date. These amounts will be recognized as a reduction to the collective net OPEB liability. Additionally, deferred inflows of resources related to changes in proportion are excluded from the amounts below. These amounts will be recognized (amortized) by each employer over the average remaining service lives of all Plan members, which is 8.05 years. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in OPEB expense as follows:

Year Ended June 30:

2019	\$ (1,236,191)
2020	(1,236,191)
2021	(1,236,950)
2022	(1,238,176)
2023	(1,239,297)
Thereafter	<u>(1,403,349)</u>
Total	<u>\$ (7,590,154)</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE F – 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, 2019, is reported as a liability allocated between current and noncurrent.

NOTE G – 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 \$254,813. The principal balance at December 31, 2019 was \$5,040,000. The Bonds are payable as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
2020	\$ 745,000	\$ 228,185	\$ 4,295,000
2021	780,000	192,818	3,515,000
2022	815,000	155,805	2,700,000
2023	860,000	116,913	1,840,000
2024	900,000	76,022	940,000
2025	940,000	33,135	-
	<u>\$ 5,040,000</u>	<u>\$ 802,878</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE G – LONG TERM DEBT - CONTINUED

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 expense incurred during the year was \$564,896. The principal balance at December 31, 2019 was \$19,138,606. Debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
2020	\$ 1,363,413	\$ 530,430	\$ 17,775,193
2021	1,401,042	491,955	16,374,151
2022	1,508,772	450,480	14,865,379
2023	1,621,973	405,853	13,243,406
2024	1,740,886	357,914	11,502,520
2025 - 2029	11,502,520	942,479	-
	<u><u>\$ 19,138,606</u></u>	<u><u>\$ 3,179,111</u></u>	<u><u>\$ -</u></u>

A summary of long-term liabilities is as follows at December 31, 2019:

	<u>January 1,</u> <u>2019 Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31,</u> <u>2019 Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable	\$ 5,750,000	\$ -	\$ 710,000	\$ 5,040,000	\$ 745,000
EPC Lease Purchase Agreement	20,400,591	-	1,261,985	19,138,606	1,363,413
Compensated Absences	251,158	275,177	251,159	275,176	81,518
Accrued Pension Liability	8,280,492	171,055	888,272	7,563,275	-
Accrued OPEB Liability	14,825,007	-	3,075,416	11,749,591	-
Less: Current portion	(2,055,226)			(2,189,931)	
Long Term Liabilities	<u><u>\$ 47,452,022</u></u>	<u><u>\$ 446,232</u></u>	<u><u>\$ 6,186,832</u></u>	<u><u>\$ 41,576,717</u></u>	<u><u>\$ 2,189,931</u></u>

NOTE H – 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I – RESTRICTED CASH AND RESTRICTED NET POSITION

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

Funds Restricted for Development	<u>\$ 204,471</u>
----------------------------------	--------------------------

Funds Restricted for Development consist of sales proceeds from the disposition of Kearney Homes (Project NJ005004) during 2006. The proceeds are to be used for redevelopment. Due to the restriction of these assets, \$204,471 is reported as Restricted Net Position in the Statement of Net Position.

NOTE J – HOPE VI PROJECT EXPENSE

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. 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, 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 2019.

NOTE K – LONG-TERM CONTRACTUAL COMMITMENTS

The Authority had the following outstanding contractual commitments of as of December 31, 2019:

<u>Type of Commitment:</u>	
Renovations/ Modernizations	\$ 444,931
Professional Services	691,282
Maintenance and Operations	<u>395,379</u>
Total Outstanding Contractual Commitments	<u>\$ 1,531,592</u>

NOTE L – 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 and OPEB liabilities and related expenses. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE M – 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE N – CAPITAL ASSETS

Summaries of capital asset balances and activity as of, and for the year ended December 31, 2019 are as follows:

	PUBLIC HOUSING & CFP	COCC	TOTAL
Land	\$ 1,976,466	\$ 17,400	\$ 1,993,866
Building and Improvements	159,191,871	387,012	159,578,883
Furniture and Equipment	4,013,161	2,170,274	6,183,435
Construction in Process	2,808,715	-	2,808,715
Less Accumulated Depreciation	<u>(101,170,069)</u>	<u>(2,410,244)</u>	<u>(103,580,313)</u>
Total Capital Assets	<u>\$ 66,820,144</u>	<u>\$ 164,442</u>	<u>\$ 66,984,586</u>

	January 1, 2019 Balance	Additions	Transfers & Deletions	December 31, 2019 Balance
Land	\$ 1,993,866	\$ -	\$ -	\$ 1,993,866
Construction in Process	<u>1,249,037</u>	<u>2,125,936</u>	<u>(566,258)</u>	<u>2,808,715</u>
Total Assets not being depreciated	3,242,903	2,125,936	(566,258)	4,802,581
Buildings and Improvements	166,498,840	-	(6,919,957)	159,578,883
Furniture and Equipment	<u>6,442,608</u>	<u>8,325</u>	<u>(267,498)</u>	<u>6,183,435</u>
Total Capital Assets	176,184,351	2,134,261	(7,753,713)	170,564,899
Less Accumulated Depreciation				
Buildings and Improvements	(100,987,822)	(2,990,682)	6,410,341	(97,568,163)
Furniture and Equipment	<u>(6,293,082)</u>	<u>(36,586)</u>	<u>317,518</u>	<u>(6,012,150)</u>
Net Book Value	<u>\$ 68,903,447</u>	<u>\$ (893,007)</u>	<u>\$ (1,025,854)</u>	<u>\$ 66,984,586</u>

During 2019, the Authority disposed of its Page Homes dwelling project via a 75-year land lease to Rossell Avenue Urban Renewal, LLC in order to make way for the development of the Turner Pointe Apartments project through HUD's Rental Assistance Demonstration (RAD) Program (see Note Q below). The costs basis of the applicable structures and equipment was \$7,753,713 and accumulated depreciation was \$6,727,859, which resulted in a loss on disposition of \$1,025,854.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE O – 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 P – 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	\$ 659,862
Resident Opportunity and Supportive Services	(8,372)
Public Housing	(651,490)
	<u>\$ -</u>

NOTE Q – RENTAL ASSISTANCE DEMONSTRATION (RAD) PROGRAM COSTS

RAD conversion costs incurred during 2019 of \$811,773 consisted of preliminary costs of the Authority's participation in HUD's Rental Assistance Demonstration (RAD) Program in which the Authority converted its former Page Homes dwelling project into a Section 8-assisted property known as Turner Pointe Apartments.

NOTE R – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through March 22, 2021, the date the financial statements were available to be issued and determined that no other significant subsequent events have occurred.

**THE HOUSING AUTHORITY OF THE CITY OF TRENTON
 STATEMENT AND CERTIFICATION OF PROGRAM COSTS - CAPITAL FUND PROGRAM
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>NJ39P005501-16</u>
Funds Approved	\$ 2,362,294
Funds Expended	<u>2,362,294</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 2,362,294
Funds Expended	<u>2,362,294</u>
Excess of Funds Advanced	<u>\$ -</u>

1. The distribution of costs as shown on the Actual Modernization 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, 2019

EXPENDITURES

Public Housing Program	
Total CFDA Number 14.850a	<u>\$ 9,306,361</u>
Resident Opportunity and Supportive Services Program	
Total CFDA Number 14.870	<u>8,372</u>
Capital Fund Program	
Total CFDA Number 14.872	<u>4,945,281</u>
Community Development Block Grant (Passed through the City of Trenton)	
Total CFDA Number 14.218	<u>305,750</u>
 TOTAL HUD EXPENDITURES	 <u>14,565,764</u>
 TOTAL FEDERAL EXPENDITURES	 <u><u>\$ 14,565,764</u></u>

NOTE 1 – BASIS OF PRESENTATION

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, 2019. 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.

Trenton Housing Authority (NJ005)

TRENTON, NJ

Entity Wide Balance Sheet Summary

Fiscal Year

End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	14.218 Community Development Block Grant	Elimination	Total Enterprise Fund
111 Cash - Unrestricted	\$ 3,671,549	\$ -	\$ 703,517	\$ -	\$ -	\$ 4,375,066
112 Cash - Restricted - Modernization and Development	-	-	-	-	-	-
113 Cash - Other Restricted	204,471	-	-	-	-	204,471
114 Cash - Tenant Security Deposits	358,816	-	-	-	-	358,816
115 Cash - Restricted for Payment of Current Liabilities	741,516	-	-	-	-	741,516
100 Total Cash	\$ 4,976,352	\$ -	\$ 703,517	\$ -	\$ -	\$ 5,679,869
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	-	8,372	-	-	(8,372)	-
124 Accounts Receivable - Other Government	-	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	103,427	-	-	103,427
126 Accounts Receivable - Tenants	234,391	-	-	-	-	234,391
126.1 Allowance for Doubtful Accounts - Tenants	(197,586)	-	-	-	-	(197,586)
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	80,116	-	-	-	-	80,116
128 Fraud Recovery	-	-	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 116,921	\$ 8,372	\$ 103,427	\$ -	\$ (8,372)	\$ 220,348
131 Investments - Unrestricted	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	-	-	275,334	-	-	275,334
143 Inventories	131,867	-	-	-	-	131,867
143.1 Allowance for Obsolete Inventories	(6,593)	-	-	-	-	(6,593)
144 Inter Program Due From	-	-	659,862	-	(659,862)	-
145 Assets Held for Sale	-	-	-	-	-	-
150 Total Current Assets	\$ 5,218,547	\$ 8,372	\$ 1,742,140	\$ -	\$ (668,234)	\$ 6,300,825

Trenton Housing Authority (NJ005)

TRENTON, NJ

Entity Wide Balance Sheet Summary

Fiscal Year

End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	14.218 Community Development Block Grant	Elimination	Total Enterprise Fund
161 Land	1,976,466	-	17,400	-	-	1,993,866
162 Buildings	159,191,871	-	387,012	-	-	159,578,883
163 Furniture, Equipment & Machinery - Dwellings	3,007,336	-	-	-	-	3,007,336
164 Furniture, Equipment & Machinery - Administration	1,005,825	-	2,170,274	-	-	3,176,099
165 Leasehold Improvements	-	-	-	-	-	-
166 Accumulated Depreciation	(101,170,069)	-	(2,410,244)	-	-	(103,580,313)
167 Construction in Progress	2,808,715	-	-	-	-	2,808,715
168 Infrastructure	-	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 66,820,144	\$ -	\$ 164,442	\$ -	\$ -	\$ 66,984,586
174 Other Assets	-	-	-	-	-	-
180 Total Non-Current Assets	\$ 66,820,144	\$ -	\$ 164,442	\$ -	\$ -	\$ 66,984,586
200 Deferred Outflow of Resources	\$ 823,282	\$ -	\$ 499,271	\$ -	\$ -	\$ 1,322,553
290 Total Assets and Deferred Outflow of Resources	\$ 72,861,973	\$ 8,372	\$ 2,405,853	\$ -	\$ (668,234)	\$ 74,607,964
311 Bank Overdraft	-	-	-	-	-	-
312 Accounts Payable <= 90 Days	183,338	-	40,920	-	-	224,258
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	189,677	-	86,037	-	-	275,714
322 Accrued Compensated Absences - Current Portion	21,462	-	60,056	-	-	81,518
324 Accrued Contingency Liability	-	-	-	-	-	-
325 Accrued Interest Payable	91,228	-	-	-	-	91,228
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-
333 Accounts Payable - Other Government	284,298	-	-	-	-	284,298
341 Tenant Security Deposits	358,816	-	-	-	-	358,816

Trenton Housing Authority (NJ005)

TRENTON, NJ

Entity Wide Balance Sheet Summary

Fiscal Year

End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	14.218 Community Development Block Grant	Elimination	Total Enterprise Fund
342 Unearned Revenue	961,102	-	-	-	(8,372)	952,730
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	2,108,413	-	-	-	-	2,108,413
345 Other Current Liabilities	-	-	-	-	-	-
346 Accrued Liabilities - Other	284,199	-	276	-	-	284,475
347 Inter Program - Due To	651,490	8,372	-	-	(659,862)	-
348 Loan Liability - Current	-	-	-	-	-	-
310 Total Current Liabilities	\$ 5,134,023	\$ 8,372	\$ 187,289	\$ -	\$ (668,234)	\$ 4,661,450
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	22,070,193	-	-	-	-	22,070,193
353 Non-current Liabilities - Other	-	-	-	-	-	-
354 Accrued Compensated Absences - Non Current	193,158	-	500	-	-	193,658
355 Loan Liability - Non Current	-	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	14,984,786	-	4,328,080	-	-	19,312,866
350 Total Non-Current Liabilities	\$ 37,248,137	\$ -	\$ 4,328,580	\$ -	\$ -	\$ 41,576,717
300 Total Liabilities	\$ 42,382,160	\$ 8,372	\$ 4,515,869	\$ -	\$ (668,234)	\$ 46,238,167
400 Deferred Inflow of Resources	\$ 10,956,183	\$ -	\$ 2,398,655	\$ -	\$ -	\$ 13,354,838
508.4 Net Investment in Capital Assets	42,641,538	-	164,442	-	-	42,805,980
511.4 Restricted Net Position	204,471	-	-	-	-	204,471
512.4 Unrestricted Net Position	(23,322,379)	-	(4,673,113)	-	-	(27,995,492)
513 Total Equity - Net Assets / Position	\$ 19,523,630	\$ -	\$ (4,508,671)	\$ -	\$ -	\$ 15,014,959
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 72,861,973	\$ 8,372	\$ 2,405,853	\$ -	\$ (668,234)	\$ 74,607,964

Trenton Housing Authority (NJ005)
TRENTON, NJ
Entity Wide Revenue and Expense Summary

Fiscal Year
End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	14.218 Community Development Block Grant	Elimination	Total Enterprise Fund
70300 Net Tenant Rental Revenue	\$ 5,602,653	\$ -	\$ -	\$ -	\$ -	\$ 5,602,653
70400 Tenant Revenue - Other	231,818	-	-	-	-	231,818
70500 Total Tenant Revenue	\$ 5,834,471	\$ -	\$ -	\$ -	\$ -	\$ 5,834,471
70600 HUD PHA Operating Grants	12,308,792	8,372	-	3,250	-	12,320,414
70610 Capital Grants	1,942,850	-	-	302,500	-	2,245,350
70710 Management Fee	-	-	1,820,388	-	(1,820,388)	-
70720 Asset Management Fee	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	118,209	-	(118,209)	-
70700 Total Fee Revenue	\$ 14,251,642	\$ 8,372	\$ 1,938,597	\$ 305,750	\$ (1,938,597)	\$ 14,565,764
70800 Other Government Grants	-	-	-	-	-	-
71100 Investment Income - Unrestricted	489	-	1	-	-	490
71400 Fraud Recovery	-	-	-	-	-	-
71500 Other Revenue	671,741	-	347,926	-	-	1,019,667
71600 Gain or Loss on Sale of Capital Assets	(1,025,854)	-	-	-	-	(1,025,854)
72000 Investment Income - Restricted	-	-	-	-	-	-
70000 Total Revenue	\$ 19,732,489	\$ 8,372	\$ 2,286,524	\$ 305,750	\$ (1,938,597)	\$ 20,394,538
91100 Administrative Salaries	1,092,951	-	855,063	-	-	1,948,014
91200 Auditing Fees	39,221	-	-	-	-	39,221
91300 Management Fee	1,820,388	-	-	-	(1,820,388)	-
91310 Book-keeping Fee	118,209	-	-	-	(118,209)	-
91400 Advertising and Marketing	7,232	-	2,674	-	-	9,906
91500 Employee Benefit contributions - Administrative	497,905	-	243,827	-	-	741,732
91600 Office Expenses	131,451	-	56,128	-	-	187,579
91700 Legal Expense	150,361	-	90,884	-	-	241,245
91800 Travel	1,752	-	22,382	-	-	24,134
91810 Allocated Overhead	-	-	-	-	-	-

Trenton Housing Authority (NJ005)

TRENTON, NJ

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	14.218 Community Development Block Grant	Elimination	Total Enterprise Fund
91900 Other	221,601	8,372	99,993	-	-	329,966
91000 Total Operating - Administrative	\$ 4,081,071	\$ 8,372	\$ 1,370,951	\$ -	\$ (1,938,597)	\$ 3,521,797
92000 Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92100 Tenant Services - Salaries	106,754	-	-	-	-	106,754
92200 Relocation Costs	-	-	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	4,264	-	-	-	-	4,264
92400 Tenant Services - Other	26,727	-	-	-	-	26,727
92500 Total Tenant Services	\$ 137,745	\$ -	\$ -	\$ -	\$ -	\$ 137,745
93100 Water	390,174	-	1,448	-	-	391,622
93200 Electricity	1,286,485	-	24,035	-	-	1,310,520
93300 Gas	823,091	-	7,497	-	-	830,588
93400 Fuel	2,201	-	-	-	-	2,201
93500 Labor	-	-	-	-	-	-
93600 Sewer	257,715	-	371	-	-	258,086
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-	-
93800 Other Utilities Expense	-	-	-	-	-	-
93000 Total Utilities	\$ 2,759,666	\$ -	\$ 33,351	\$ -	\$ -	\$ 2,793,017
94100 Ordinary Maintenance and Operations - Labor	1,831,813	-	-	-	-	1,831,813
94200 Ordinary Maintenance and Operations - Materials and Other	1,206,890	-	29,843	-	-	1,236,733
94300 Ordinary Maintenance and Operations Contracts	1,219,672	-	37,651	-	-	1,257,323
94500 Employee Benefit Contributions - Ordinary Maintenance	860,728	-	-	-	-	860,728
94000 Total Maintenance	\$ 5,119,103	\$ -	\$ 67,494	\$ -	\$ -	\$ 5,186,597
95100 Protective Services - Labor	848,198	-	-	-	-	848,198
95200 Protective Services - Other Contract Costs	38,496	-	-	-	-	38,496
95300 Protective Services - Other	-	-	-	-	-	-

Trenton Housing Authority (NJ005)

TRENTON, NJ

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	14.218 Community Development Block Grant	Elimination	Total Enterprise Fund
95500 Employee Benefit Contributions - Protective Services	408,381	-	-	-	-	408,381
95000 Total Protective Services	\$ 1,295,075	\$ -	\$ -	\$ -	\$ -	\$ 1,295,075
96110 Property Insurance	349,701	-	-	-	-	349,701
96120 Liability Insurance	326,022	-	-	-	-	326,022
96130 Workmen's Compensation	206,404	-	87,619	-	-	294,023
96140 All Other Insurance	49,803	-	5,085	-	-	54,888
96100 Total insurance Premiums	\$ 931,930	\$ -	\$ 92,704	\$ -	\$ -	\$ 1,024,634
96200 Other General Expenses	123,353	-	2,500	-	-	125,853
96210 Compensated Absences	214,621	-	60,556	-	-	275,177
96300 Payments in Lieu of Taxes	284,298	-	-	-	-	284,298
96400 Bad debt - Tenant Rents	213,262	-	-	-	-	213,262
96500 Bad debt - Mortgages	-	-	-	-	-	-
96600 Bad debt - Other	811,773	-	-	-	-	811,773
96800 Severance Expense	-	-	-	-	-	-
96000 Total Other General Expenses	\$ 1,647,307	\$ -	\$ 63,056	\$ -	\$ -	\$ 1,710,363
96710 Interest of Mortgage (or Bonds) Payable	564,896	-	-	-	-	564,896
96720 Interest on Notes Payable (Short and Long Term)	254,813	-	-	-	-	254,813
96700 Total Interest Expense and Amortization Cost	\$ 819,709	\$ -	\$ -	\$ -	\$ -	\$ 819,709
96900 Total Operating Expenses	\$ 16,791,606	\$ 8,372	\$ 1,627,556	\$ -	\$ (1,938,597)	\$ 16,488,937
97000 Excess of Operating Revenue over Operating Expenses	\$ 2,940,883	\$ -	\$ 658,968	\$ 305,750	\$ -	\$ 3,905,601
97100 Extraordinary Maintenance	-	-	-	-	-	-

Trenton Housing Authority (NJ005)

TRENTON, NJ

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	COCC	14.218 Community Development Block Grant	Elimination	Total Enterprise Fund
97200 Casualty Losses - Non-capitalized	97	-	-	-	-	97
97400 Depreciation Expense	3,024,457	-	2,811	-	-	3,027,268
97500 Fraud Losses	-	-	-	-	-	-
90000 Total Expenses	\$ 19,816,160	\$ 8,372	\$ 1,630,367	\$ -	\$ (1,938,597)	\$ 19,516,302
10010 Operating Transfer In	1,274,615	-	-	-	-	1,274,615
10020 Operating transfer Out	(1,274,615)	-	-	-	-	(1,274,615)
10091 Inter Project Excess Cash Transfer In	65,922	-	-	-	-	65,922
10092 Inter Project Excess Cash Transfer Out	(65,922)	-	-	-	-	(65,922)
10093 Transfers between Program and Project - In	3,250	-	-	-	-	3,250
10094 Transfers between Project and Program - Out	-	-	-	(3,250)	-	(3,250)
10100 Total Other financing Sources (Uses)	\$ 3,250	\$ -	\$ -	\$ (3,250)	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (80,421)	\$ -	\$ 656,157	\$ 302,500	\$ -	\$ 878,236
11020 Required Annual Debt Principal Payments	\$ 1,909,316	\$ -	\$ -	\$ -	\$ -	\$ 1,909,316
11030 Beginning Equity	\$ 19,301,551	\$ -	\$ (5,164,828)	\$ -	\$ -	\$ 14,136,723
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	302,500	-	-	(302,500)	-	-
11190 Unit Months Available	16,661	-	-	-	-	16,661
11210 Number of Unit Months Leased	15,706	-	-	-	-	15,706
11610 Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620 Building Purchases	1,232,850	-	-	-	-	1,232,850
13510 CFFP Debt Service Payments	964,813	-	-	-	-	964,813
13901 Replacement Housing Factor Funds	-	-	-	-	-	-

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

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

DECEMBER 31, 2019

Section I: Summary of Auditor's Results:

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

Are material weaknesses identified? X Yes 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:

<u>Name of Federal Program</u>	<u>CFDA No.</u>
Community Development Block Grant	14.218
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? Yes X No

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

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

DECEMBER 31, 2019

Section II: Financial Statement Findings:

Summary Schedule of Prior Year Findings:

None

Current Year Findings and Questioned Costs:

Finding 2019-001 – Overstatement of Capital Assets

Criteria

Control and monitoring activities exercised over capital asset accounts should include a review of capital asset listings to ensure proper and timely accounting for all asset dispositions.

Condition and Cause

During 2019, the Authority disposed of its Page Homes dwelling property via a land lease for demolition and redevelopment. The applicable assets had a total cost basis of \$7,753,713 and accumulated depreciation of \$6,727,859. The Authority did not remove the cost basis or accumulated depreciation from its general ledger or Unaudited Financial Data Schedule.

Questioned Costs – None

Effect

Capital asset accounts were overstated by \$1,025,854.

Recommendation

We recommend that management periodically review capital asset listings to ensure proper and timely accounting for all asset dispositions.

Reply

Authority management will periodically review capital asset listings to ensure proper and timely accounting for all asset dispositions as part of its year-end financial closing and reporting process. Latrice Leggett, the Authority's Director of Finance, has assumed the responsibility of executing a periodic review of capital asset listings as of March 31, 2021.

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

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

DECEMBER 31, 2019

Section III: Federal Award Findings and Questioned Costs:

Summary Schedule of Prior Year Findings:

None

Current Year Findings and Questioned Costs:

None

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

CORRECTIVE ACTION PLAN

DECEMBER 31, 2019

Finding 2019-001 – Overstatement of Capital Assets

Corrective Action

Authority management will periodically review capital asset listings to determine whether the assets still physically exist as part of its year-end financial closing and reporting process. Latrice Leggett, the Authority's Director of Finance, has assumed the responsibility of executing a periodic review of capital asset listings as of March 31, 2021.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
 REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule of Proportionate Share of Net Pension Liability

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2019
Authority's proportion of the net pension liability (%)	0.0486602913%	0.0454267772%	0.0407932614%	0.0420553641%	0.0419750918%
Authority's proportionate share of the net pension liability (\$)	\$ 10,923,260	\$ 13,454,108	\$ 9,496,019	\$ 8,280,492	\$ 7,563,275
Authority's covered payroll*	\$ 3,748,638	\$ 3,411,369	\$ 3,072,407	\$ 3,288,632	\$ 3,019,926
Authority's proportionate share of the net pension liability as a percentage of its covered payroll*	291.39%	394.39%	309.07%	251.79%	250.45%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	48.09%	46.40%	56.27%

* Covered Payroll is defined in GASBS No. 82, Paragraph 5 (an Amendment to GASBS No. 68) as the payroll on which contributions to the plan are based.

Note: GASBS No. 68 was implemented as of the year ended 2015. The schedule is being built prospectively. Ultimately, ten years of data will be shown.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
 REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule of Employer's Required Contributions

	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2019</u>
Contractually required contribution	\$ 418,348	\$ 403,565	\$ 377,906	\$ 418,314	\$ 408,294
Contributions in relation to the contractually required contribution	<u>418,348</u>	<u>403,565</u>	<u>377,906</u>	<u>418,314</u>	<u>408,294</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Authority's covered payroll*	\$ 3,748,638	\$ 3,411,369	\$ 3,072,407	\$ 3,288,632	\$ 3,019,926
Contributions as a percentage of covered-payroll*	11.16%	11.83%	12.30%	12.72%	13.52%

* Covered Payroll is defined in GASBS No. 82, Paragraph 5 (an Amendment to GASBS No. 68) as the payroll on which contributions to the plan are based.

Note: GASBS No. 68 was implemented as of the year ended 2015. The schedule is being built prospectively. Ultimately, ten years of data will be shown.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
 FOR THE YEAR ENDED DECEMBER 31, 2019

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 <u>July 1, 2014</u>	Actuarial Valuation as of <u>July 1, 2015</u>	Actuarial Valuation as of <u>July 1, 2016</u>	Actuarial Valuation as of <u>July 1, 2017</u>	Actuarial Valuation as of <u>July 1, 2018</u>
Change in Benefit Terms	None	None	None	None	None
Change in Assumptions					
Inflation Rate	3.04%	3.08%	2.25%	2.25%	2.75%
<u>Salary Increases</u>					
Through 2026	2.15 - 4.40%	1.65 - 4.15%	1.65 - 4.15%	1.65 - 4.15%	2.00 - 6.00%
Thereafter	3.15 - 5.40%	2.65 - 5.15%	2.65 - 5.15%	2.65 - 5.15%	3.00 - 7.00%
Investment Rate of Return	7.90%	7.65%	7.00%	7.00%	7.00%

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
 REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule of Proportionate Share of Net OPEB Liability

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2019
Authority's proportion of the net OPEB liability (%)	0.094628%	0.086738%
Authority's proportionate share of the net OPEB liability (\$)	\$ 14,825,007	\$ 11,749,591
Authority's covered-employee payroll*	\$ 3,385,351	\$ 3,529,313
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll*	437.92%	332.91%
Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	1.98%

Schedule of Employer's Required Contributions

	Year Ended December 31, 2018	Year Ended December 31, 2019
Contractually required contribution	\$ 449,241	\$ 283,146
Contributions in relation to the contractually required contribution	<u>449,241</u>	<u>283,146</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll*	\$ 3,410,941	\$ 3,785,296
Contributions as a percentage of covered-employee payroll*	13.17%	7.48%

* Covered-employee Payroll is defined in GASBS No. 75, Paragraph 246 as the payroll of employees that are provided with OPEB through the plan.

Note: GASBS No. 75 was implemented as of the year ended 2018. These schedules are being built prospectively. Ultimately, ten years of data will be shown.

THE HOUSING AUTHORITY OF THE CITY OF TRENTON
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN
 FOR THE YEAR ENDED DECEMBER 31, 2019

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 <u>June 30, 2017</u>	Actuarial Valuation as of <u>June 30, 2018</u>
Change in Benefit Terms	None	None
Change in Assumptions		
Inflation Rate	2.50%	2.50%
<u>Salary Increases</u>		
Through 2026	1.65 - 8.98%	2.00 - 6.00%
Thereafter	2.65 - 9.98%	3.00 - 7.00%