
**THE HOUSING AUTHORITY OF JOLIET
INDEPENDENT AUDITORS' REPORT,
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION,
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED
JUNE 30, 2017**

THE HOUSING AUTHORITY OF JOLIET

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Joliet
Joliet, Illinois

U.S. Department of Housing and Urban
Development
Ralph Metcalfe Federal Building
77 West Jackson Boulevard
Chicago, Illinois

Report on the Financial Statements

We have audited the primary governmental financial statements of the Housing Authority of Joliet (the Authority), Joliet, Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented component units for the year ended December 31, 2016. Those financial statements were audited by other auditors, whose report dated March 29, 2017, express an unmodified opinion, and our opinion, in so far as it relates to the amounts included for the discretely presented component units of the Authority, is based on the report of other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 of assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the audit report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary government activities, and the discretely presented component units of the Authority, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 to 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. However, we did not audit the information and express no opinion on it.

Other Information

Our audit was conducted for the purpose for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information such as financial data schedules and schedule of expenditures of federal awards is the responsibility of management and was derived from the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling

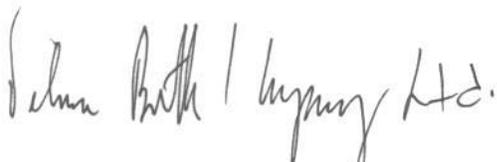
such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Summarized Comparative Information

We previously audited the Authority's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements dated February 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Velma Butler & Company, Ltd.
Chicago, Illinois

March 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY of JOLIET
6 S. Broadway Street
Joliet, Illinois 60436

To the Board of Commissioners of the
The Housing Authority of Joliet
Joliet, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of Joliet's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2017.

We are pleased to submit the financial statements of the Housing Authority of Joliet for the year ended June 30, 2017. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information, which complies with reporting requirements of the U.S. Department of Housing and Urban Development (HUD) and the Governmental Accounting Standards Board.

The management's discussion and analysis section includes information on the past, present and future events that have been enacted, adopted, agreed upon, and/or contracted by of the Authority. It focuses on analysis of the financial statements and the improvements in the Authority's management. The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

FINANCIAL HIGHLIGHTS

- Net Position at June 30, 2017, was \$34.1 million an increase of \$231 thousand from the June 30, 2016 total of \$33.9 million.
- Revenue increased by \$2.6 million for the fiscal year 2017. The increase was primarily due to an increase in HUD Grants.
- Operating expenses, excluding depreciation and interest, increased by \$1.8 million or by 6.8%, from \$26.2 million at June 30, 2016 to \$28 million at June 30, 2017.
- Total assets decreased by \$1.2 million, from \$52.6 million at June 30, 2016 to \$51.4 million at June 30, 2017.
- Capital assets were \$38.7 million at June 30, 2017, a decrease of \$2.2 million from the June 30, 2016, balance of \$40.9 million, primarily because of depreciation and disposals.

- Liabilities decreased by \$1.4 million, from \$18.7 million at June 30, 2016 to \$17.3 million at June 30, 2017.

USING THIS REPORT

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

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

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to the moderate, low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as an enterprise fund whose operations include the low income housing program, the housing choice voucher program, special grants, blended component units and discretely presented component units as follows.

Fund Financial Statements are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's fund only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of an enterprise funds with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in enterprise funds, its Proprietary Fund financial

statements provide information about the activities of the Authority as a whole. Funds included in the enterprise fund are listed below.

Low-Income Public Housing - Under the Low Income Public Housing Program, the Authority rents units it owns to moderate and low-income families. The Low Income Public Housing Program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) - The Low Income Public Housing Program also includes the CFP, which is the primary funding source for physical management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the authorities housing stock.

Section 8 Housing Choice Vouchers - The Housing Choice Voucher is the federal government's programs for assisting moderate and low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The program is administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Resident Opportunities and Self Sufficiency - (ROSS) Program - The purpose of the program is to provide funding to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.

Components Units - The Component units are not-for-profit organizations formed by the Authority for the purpose of assisting in the development of projects which provide housing to a mixture of moderate, low-income and market rate families. The moderate and low-income family's rents are subsidized by HUD.

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments and the United States Office of Management and Budget's (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

The financial section provides information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

Net position represents the difference between total assets and total liabilities. As shown in Table 1, the Authority's net position at June 30, 2017 increased by \$231 thousand to \$34.1 million from \$33.9 million. This was a 0.7% increase.

Table 1
Housing Authority of Joliet's Net Position
(in thousand dollars)

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percentage Change</u>
Cash	\$ 7,330	\$ 4,679	\$ 2,651	56.7%
Other Current Assets	747	1,875	(1,128)	-60.2%
Total Current Assets	<u>8,077</u>	<u>6,554</u>	<u>1,523</u>	23.2%
Non-Current Assets				
Capital Assets	38,677	40,949	(2,272)	-5.5%
Notes, Interest, Other Long-Term	4,723	5,132	(409)	-8.0%
Total Assets	<u>\$ 51,477</u>	<u>\$ 52,635</u>	<u>\$ (1,158)</u>	-2.2%
Current Liabilities				
Current Liabilities	\$ 2,276	\$ 2,611	\$ (335)	-12.8%
Notes and Bonds Payable	12,639	13,605	(966)	-7.1%
Other Non Current Liabilities	2,418	2,506	(88)	-3.5%
Total Liabilities	<u>17,333</u>	<u>18,722</u>	<u>(1,389)</u>	-7.4%
Unrestricted	6,029	5,549	480	8.7%
Restricted Net Assets	2,662	1,431	1,231	86.0%
Net Investment in Capital Assets	25,453	26,933	(1,480)	-5.5%
Total Net Position	<u>34,144</u>	<u>33,913</u>	<u>231</u>	0.7%
Total Liab. and Net Position	<u>\$ 51,477</u>	<u>\$ 52,635</u>	<u>\$ (1,158)</u>	-2.2%

CAPITAL ASSETS

Capital assets decreased by \$2.3 million from \$40.9 million to \$38.7 million, as shown in the table below:

	<u>June 30, 2016</u>	<u>Additions / Deletions</u>	<u>June 30, 2017</u>
Land	\$ 7,691,921	\$ 956,412	\$ 8,648,333
Buildings and Improvements	76,178,602	(3,558,489)	72,620,113
Equipment and Furniture	1,987,867	5,504	1,993,371
Construction in Progress	950,265	(950,265)	-
Less Accum. Depreciation	(45,859,882)	1,275,510	(44,584,372)
Total Capital Assets	<u>\$ 40,948,773</u>	<u>\$ (2,271,328)</u>	<u>\$ 38,677,445</u>

Capital additions totaled \$1,540,697 and dispositions totaled \$4,159,084 due to the demolition, of which \$3,438,458 was already depreciated. Depreciation expense for the year totaled \$2,162,948. There was no construction in progress, as the demolition was completed before year-end.

NON-CURRENT ASSETS AND LIABILITIES

The Authority has several notes receivable outstanding as a result of funds loaned to its mixed income developers. These are long-term notes that will mature in 2051. Interest payments are accumulated and are not required to be paid until the developments generate positive cash flow per HUD regulations. Notes receivable totaled \$3.7 million. Deferred revenue comes from accrued developer fee for \$908 thousand. The Authority maintains escrow deposits for tenants totaling \$78 thousand. Additional information can be found in the Notes to Financial Statements.

BONDS AND NOTES PAYABLE

The Authority has bonds outstanding totaling \$3.7 million. The bonds mature in 2021. Interest is paid semi-annually and principal is paid annually. The bonds are secured by HUD and payments are made from the Capital Fund. The Component Units have notes payable of \$9.5 million with maturity dates in 2037 and 2051. The notes are secured by real property.

Change in Net Position

As shown in Table 2, below, the Authority's total operating revenues, which included all HUD Grants, tenant rents, interest and other income increased by \$2.6 million or 9.4 percent, while total expenses increased by \$1.5 million or 5 percent, from approximately \$29.2 million at June 30, 2016 to \$30.7 million at June 30, 2017.

Table 2
Housing Authority of Joliet's Change in Net Position
(in thousand dollars)

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percentage Change</u>
Tenant Revenue	\$ 3,487	\$ 3,623	\$ (136)	-3.8 %
HUD Revenue	24,209	21,799	2,410	11.1 %
Other Income	3,293	2,917	376	12.9 %
Total Revenue	<u>30,989</u>	<u>28,339</u>	<u>2,650</u>	9.4 %
Operating Expenses	27,947	26,166	1,781	6.8 %
Depreciation	2,163	2,402	(239)	-10.0 %
Non-Operating Expense	591	667	(76)	-11.4 %
Total Expenses	<u>30,701</u>	<u>29,235</u>	<u>1,466</u>	5.0 %
Change in Net Position	288	(896)	1,184	-132.1 %
Prior Period Adjustment	(57)	(147)	90	%
Beginning Net Position	33,913	34,956	(1,043)	-3.0 %
Ending Net Position	<u>\$ 34,144</u>	<u>\$ 33,913</u>	<u>\$ 231</u>	0.7 %

Expenses

Total expenses increased by \$1.5 million or approximately 5 percent, changes are shown below:

Table 3
Housing Authority of Joliet's Expenses
(in thousand dollars)

	2017	2016	Change	Total Percent Change
Administrative Expenses	\$ 3,405	\$ 3,444	\$ (39)	-1.1%
Tenant Services	206	870	(664)	-76.3%
Utilities Expenses	841	1,003	(162)	-16.2%
Ordinary Maintenance	2,468	2,324	144	6.2%
Protective Services	222	215	7	3.3%
Insurance	626	669	(43)	-6.4%
General Expenses	507	577	(70)	-12.1%
Housing Assistance Payments	19,672	17,065	2,607	15.3%
Total Operating Expenses	<u>27,947</u>	<u>26,167</u>	<u>1,780</u>	6.8%
Depreciation Expense	2,163	2,401	(238)	-9.9%
Interest Expense	591	667	(76)	-11.4%
Total Expenses	<u>\$ 30,701</u>	<u>\$ 29,235</u>	<u>\$ 1,466</u>	5.0%

The main increase was in Housing Assistance Payments and was offset by additional revenue from HUD.

BUDGETARY HIGHLIGHTS

The Housing Authority of Joliet adopts a consolidated annual operating budget for all programs. The budget for low Rent Housing is adopted on the basis of accounting practices prescribed to by the U.S. Department of Housing and Urban Development. Program budgets for the Housing Assistance Payments (HAP) Funds are approved by the U.S. Department of Housing and Urban Development on a basis consistent with the grant applications covering HAP Programs.

Capital project budgets are approved and are adopted for five years by the Board of Commissioners and HUD based on federal funding. They are then annualized to strengthen monitoring and completion benchmarks. Budgeted and actual costs are compared to the five year plan and are monitored by the Authority and HUD. Line item variances are resolved and approved by HUD.

MAJOR INITIATIVES

The redevelopment of DesPlaines Gardens is progressing as anticipated. Phase I of our redevelopment project known as Water's Edge, consist of 68 family units with 7 one-bedroom, 27 two-bedroom, and 34 three-bedroom units.

Our relocation consultant has done a tremendous job relocating all of our families from DesPlaines Gardens to their new homes throughout the City of Joliet, Will County, and even some out of state. All of our families from DesPlaines Gardens had the first right of refusal after the development was completed. The redeveloped site is a mixed income family development. We are planning to build the remaining 54 units at our Liberty Meadows Estates site where we have additional land available.

We will continue to look at all possibilities in the redevelopment of Fairview Homes. From all current assessment, the current site is deemed non-conducive to family development due to lack of nearby amenities. The current plan is to get approval from HUD to relocate all of the families, demolish the site, and rebuild elsewhere.

ECONOMIC FACTORS

The Housing Authority is primarily dependent upon the Federal Department of Housing and Urban Development (HUD) for the funding of operations; therefore, the Authority is affected more by the federal budget than by state and local budgets or economic conditions.

With the certainty of substantial reductions in federal spending the Authority has had to face substantial reductions in federal funding, particularly for operating grants that support the administration of public housing and Section 8 voucher programs, as well as capital facility grants. It has and continues to be a challenge to adjust to substantially lower federal administrative support while still operating and maintaining public housing units and administering vouchers under the Section 8 program. In addition, local inflationary, recessionary, and employment trends impact resident income which in turn affects the amount of rental income collected. Management has made severe cuts in order to adjust to the lower funding. The Housing Authority of Joliet continues to evolve under the landscape of prolonged funding reductions through increased efficiency, innovative thinking, and progressive financial decisions.

CONTACTING THE HOUSING AUTHORITY

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Linda Lea, Chief Financial Officer, at the Housing Authority of Joliet, 6 South Broadway, Joliet, Illinois 60436, telephone number 815-727-0611.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF JOLIET
STATEMENT OF NET POSITION
JUNE 30, 2017 (COMPARATIVE TOTALS FOR 2016)

EXHIBIT A

	PRIMARY GOVERNMENT	DISCRETELY PRESENTED COMPONENT UNITS	2017 AUTHORITY TOTAL	2016 AUTHORITY TOTAL
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 3,955,603	\$ 339,456	\$ 4,295,059	\$ 2,687,760
Cash and Cash Equivalents - Restricted	1,408,521	1,626,131	3,034,652	1,991,047
Accounts Receivable, net	381,388	47,688	429,076	1,507,208
Prepaid Expenses	119,284	62,691	181,975	160,228
Material Inventories, net	136,362		136,362	207,938
Total Current Assets	<u>6,001,158</u>	<u>2,075,966</u>	<u>8,077,124</u>	<u>6,554,181</u>
NON CURRENT ASSETS				
Other Assets	908,467	88,337	996,804	1,469,435
Notes and Interest Receivable - Long Term	3,725,905		3,725,905	3,663,063
Capital Assets, net	19,611,761	19,065,684	38,677,445	40,948,773
Total Non-Current Assets	<u>24,246,133</u>	<u>19,154,021</u>	<u>43,400,154</u>	<u>46,081,271</u>
TOTAL ASSETS	<u>\$ 30,247,291</u>	<u>\$ 21,229,987</u>	<u>\$ 51,477,278</u>	<u>\$ 52,635,452</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	\$ 343,387	\$ 107,670	\$ 451,057	\$ 460,804
Accrued Liabilities	329,970	347,710	677,680	1,141,371
Accrued Compensated Absences - Current	55,038		55,038	50,652
Deferred Revenues - Current	454,543	52,059	506,602	548,590
Bonds and Notes Payable - Current	383,874	201,362	585,236	410,384
Total Current Liabilities	<u>1,566,812</u>	<u>708,801</u>	<u>2,275,613</u>	<u>2,611,801</u>
NONCURRENT LIABILITIES				
Escrow Deposits	78,543		78,543	68,685
Accrued Compensated Abs. - Non-Current	274,171		274,171	274,729
Deferred Revenues - Long-Term	908,467	1,157,437	2,065,904	2,161,760
Bonds and Notes Payable - Long-Term	3,294,669	9,343,965	12,638,634	13,605,255
Total Noncurrent Liabilities	<u>4,555,850</u>	<u>10,501,402</u>	<u>15,057,252</u>	<u>16,110,429</u>
Total Liabilities	<u>6,122,662</u>	<u>11,210,203</u>	<u>17,332,865</u>	<u>18,722,230</u>
NET POSITION				
Unrestricted Net Position	7,048,272	(1,019,484)	6,028,788	5,549,229
Restricted Net Position	1,143,139	1,518,911	2,662,050	1,430,857
Net Investment in Capital Assets	15,933,218	9,520,357	25,453,575	26,933,136
Total Net Position	<u>24,124,629</u>	<u>10,019,784</u>	<u>34,144,413</u>	<u>33,913,222</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 30,247,291</u>	<u>\$ 21,229,987</u>	<u>\$ 51,477,278</u>	<u>\$ 52,635,452</u>

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017 (COMPARATIVE TOTALS FOR 2016) EXHIBIT B

	PRIMARY GOVERNMENT	DISCRETELY PRESENTED COMPONENT UNITS	2017 AUTHORITY TOTAL	2016 AUTHORITY TOTAL
OPERATING REVENUES				
Tenant Charges	\$ 2,334,554	\$ 1,152,552	\$ 3,487,106	\$ 3,622,888
HUD Operating Grants	23,867,233		23,867,233	20,208,832
Other Income	3,510,976	25,493	3,536,469	2,852,883
TOTAL REVENUES	<u>29,712,763</u>	<u>1,178,045</u>	<u>30,890,808</u>	<u>26,684,603</u>
OPERATING EXPENSES				
Administrative Expenses	3,225,955	179,053	3,405,008	3,443,960
Tenant Services	205,790		205,790	870,260
Utilities Expenses	828,883	12,273	841,156	1,002,780
Ordinary Maintenance	2,238,424	230,683	2,469,107	2,323,919
Protective Services	220,429	1,498	221,927	214,710
Insurance Expense	506,020	120,245	626,265	669,039
General Expenses	380,849	125,809	506,658	576,486
Housing Assistance Payments	19,671,637		19,671,637	17,064,951
Depreciation Expense	1,392,298	770,650	2,162,948	2,401,653
TOTAL OPERATING EXPENSES	<u>28,670,285</u>	<u>1,440,211</u>	<u>30,110,496</u>	<u>28,567,758</u>
OPERATING INCOME (LOSS)	<u>1,042,478</u>	<u>(262,166)</u>	<u>780,312</u>	<u>(1,883,155)</u>
NON-OPERATING REVENUES AND (EXPENSES)				
Interest Income	65,947	1,804	67,751	64,368
Interest Expense	(166,265)	(425,159)	(591,424)	(667,215)
Total Non-Operating Income/(Loss)	<u>(100,318)</u>	<u>(423,355)</u>	<u>(523,673)</u>	<u>(602,847)</u>
CAPITAL CONTRIBUTIONS AND (LOSSES)				
HUD Capital Grants	341,814		341,814	1,590,265
Gain/(Loss) on Sale of Capital Assets	(310,325)		(310,325)	
Total Capital Contributions/(Loss)	<u>31,489</u>	<u>-</u>	<u>31,489</u>	<u>1,590,265</u>
CHANGES IN NET POSITION	973,649	(685,521)	288,128	(895,737)
BEGINNING NET POSITION	23,207,917	10,705,305	33,913,222	34,955,825
PRIOR PERIOD ADJUSTMENTS	(56,937)		(56,937)	(146,866)
ENDING NET POSITION	<u>\$ 24,124,629</u>	<u>\$ 10,019,784</u>	<u>\$ 34,144,413</u>	<u>\$ 33,913,222</u>

See Accompanying Notes to Financial Statements

**HOUSING AUTHORITY OF JOLIET
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (WITH 2016 COMPARATIVE TOTALS) EXHIBIT C**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 30,884,467	\$ 26,659,184
Payments to Employees	(3,109,945)	(3,444,384)
Payments to Vendors and Suppliers	(23,885,203)	(24,060,065)
Net Cash Provided by/(Used for) Operating Activities	<u>3,889,319</u>	<u>(845,265)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>67,751</u>	<u>64,368</u>
Net Cash Provided by/(Used for) Investing Activities	67,751	64,368
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(Purchase)/Sale of Capital Assets	(264,787)	(1,104,962)
Capital Grants	341,814	1,590,265
Increase/(Decrease) in Bonds & Notes Payable	(791,769)	(580,501)
Interest Expense	(591,424)	(635,096)
Net Cash Provided by/(Used for) Financing Activities	<u>(1,306,166)</u>	<u>(730,294)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,650,904</u>	<u>(1,511,191)</u>
CASH AND CASH EQUIVALENTS AT JULY 1, 2016	4,678,807	6,189,998
CASH AND CASH EQUIVALENTS AT JUNE 30, 2017	<u>\$ 7,329,711</u>	<u>\$ 4,678,807</u>
Unrestricted Cash and Cash Equivalents at June 30, 2017	\$ 4,295,059	\$ 2,687,760
Restricted Cash June 30, 2017 for Current Liabilities	294,040	297,372
Restricted Cash June 30, 2017 for Non-Current Liabilities	2,740,612	1,693,675
CASH AND CASH EQUIVALENTS AT JUNE 30, 2017	<u>\$ 7,329,711</u>	<u>\$ 4,678,807</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Operating Income/(Loss)	\$ 780,312	\$ (1,883,155)
Adjustments To Reconcile:		
Depreciation	2,162,948	2,401,653
Less Prior Period Adjustment	(56,937)	(146,866)
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	1,078,132	(1,097,760)
(Increase)/Decrease in Prepaid Expenses	(21,747)	46,881
(Increase)/Decrease in Material Inventories	71,576	28,079
(Increase)/Decrease in Other Assets	472,631	54,696
Increase/(Decrease) in Accounts Payable	(9,747)	(618,313)
Increase/(Decrease) in Accrued Liabilities	(459,863)	668,102
Increase/(Decrease) in Escrow Deposits	9,858	4,690
Increase/(Decrease) in Deferred Revenues	(137,844)	(303,272)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 3,889,319</u>	<u>\$ (845,265)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
None		

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1 - Organization and Program Description

The Housing Authority of Joliet (The Authority) is a public body, corporate body and politically organized under the laws of the State of Illinois for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, the Mayor appoints a Governing Board for the Authority, but the Board designates its own management. Additionally, the Authority has entered into annual contribution contracts with the U. S. Department of Housing and Urban Development (HUD) to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities and provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; make housing assistance payments; and make annual contributions (subsidies) to PHAs for the purpose of maintaining the low income character of the local housing program.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on Joliet and is entitled to all surpluses. No separate agency receives a financial benefit *nor* imposes a financial burden on the Authority.

Appointment of a Voting Majority - The Authority is governed by a Board of Commissioners appointed by the Mayor of Joliet, Illinois and has governance responsibilities over all activities related to all housing activities within Joliet. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the City; i.e., they can be removed only for cause. The Authority's Board elects its own chairperson.

Imposition of Will - The County has no influence over the management, budget or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and not to be included in the City's financial report, therefore, the Authority reports independently.

The Authority is a separate governmental entity created for the purpose of constructing, maintaining, and operating public housing and providing rental assistance to low and moderate income persons. The majority of its funding is provided by the Department of Housing and Urban Development (HUD). All funds and programs are included in these statements.

HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

A. Reporting Entity

The financial statements of the Authority have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America, as applicable to governmental units. As required by GAAP in the United States of America, the accompanying financial statements present the various program activities of the Authority. These principles define the reporting entity of the primary government, as well as its component units.

Low Income Housing - The low income housing program provides subsidized housing to low income residents. The Authority is the owner of public housing units located throughout the City. The Authority receives revenue from dwelling rental income and operating subsidies provided by HUD.

Capital Fund Grants - Substantially all additions to land, buildings, and equipment are funded through Capital Grant Fund Program. These programs add to, replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through programs established by HUD.

Section 8 Programs - The Authority participates in the housing choice voucher program. This program is designed to provide privately owned, decent, safe and sanitary housing to low income families. The Authority provides assistance to low income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the programs, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Housing Choice Voucher program is also reported as enterprise funds.

Resident Opportunities and Self Sufficiency - (ROSS) Program - The purpose of the program is to provide funding to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.

Component units - Component units are separate legal organizations for which the elected officials of the primary government are financially accountable. The Authority is considered to be financial accountable if there is an appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government.

In accordance with GASB 14 as amended by GASB 61 and GASB 80, major component unit reporting requirements should be satisfied by including combining statements of major component units in the reporting entity's basic financial statements after the fund financial statements. The following component units are presented in the basic financial statements.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Blended Component Units - The Authority administers two blended component units, known as Will County Housing Development Corporation (WCHDC) and Briggs-Rosalind Development, LLC. These entities are considered blended component units because the Authority has financial accountability over them and controls their Board of Directors and management. WCHDC owns 100% of Briggs-Rosalind Development, LLC, and 70% of Tower Place, LLC. Briggs-Rosalind Development, LLC has a 0.01% ownership interest in Briggs-Rosalind Phase One, Limited Partnership.

Discrete Component Units - The Authority administers three discrete component units, known as Briggs-Rosalind Phase One, Limited Partnership, Liberty Meadows Estates Phase II, Limited Partnership and Tower Place, LLC. These entities are shown as discretely presented component units because the Authority is financially accountable, but they do not have full ownership over the entities. WCHDC owns 100% of Briggs-Rosalind Development, LLC. Briggs-Rosalind Development, LLC has a 0.01% General Partner ownership interest in Briggs-Rosalind Phase One, Limited Partnership, a residential apartment complex located in Joliet, Illinois. The development consists of 74 low income units. WCHDC also owns 100% of Liberty Meadows Estate, LLC. Liberty Meadows Estate, LLC has a 0.01% interest in Liberty Meadows Estates Phase II, Limited Partnership, a residential apartment complex located in Joliet, Illinois. The development consists of 42 low-income units. Tower Place, LLC is set up to have a 1% ownership interest in Tower Place, LP. There was no activity in Tower Place, LP as of June 30, 2017.

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

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounts segregate funds according to their intended purpose and are used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time they are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

C. Fund Accounting

Accounts are organized on the basis of funds. Each fund represents a separate program with a separate set of self-balancing accounts. All funds are reported as enterprise funds and are grouped as follows:

- PHA-Owned Housing consists of HUD-financed public housing owned by the Authority. Individual funds account for activities of the low-rent housing program, each capital fund phase, and the central office cost center. The funds are collectively known as low rent housing.

HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

- Section 8 Program consists of HUD payment of rents for tenants in privately owned housing and fees to the Authority for operating the program. An individual fund is used for the Housing Choice Voucher Program.
- Various other programs which the Authority operates, including Residential Opportunity and Self Sufficiency, blended component units, and other various state and local programs are accounted for in individual funds.
- Component unit funds consist of the financing activities of the construction of mixed income housing units and the issuance of bonds to develop affordable housing.

Proprietary Funds – The Authority’s operations are accounted for in a single *Enterprise Fund*. Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income are necessary for management accountability. Since the Authority maintains its activities in enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

Management’s Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents are defined as short-term, highly liquid investments that are both: readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes all demand deposits, saving accounts and certificates of deposits or short-term investments with a maturity date of three months or less.

Restricted Cash – Restricted assets include cash legally restricted as to their use. The primary restricted assets are related to the low rent housing program and housing choice voucher program for various funds restricted for tenants or future housing assistance payments.

Net Position – Net position is comprised of three categories: (1) net investment in capital assets, (2) restricted net assets, and (3) unrestricted net assets. Each component of net position is reported separately on the statement of net position.

(1) Investment in capital assets, net of related debt – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

(2) Restricted for federal programs - the component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal program.

(3) Unrestricted - The difference between the assets and liabilities that is not reported in the net position invested in capital, net of related debt or net position restricted for federal and state programs.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fair Value - GASB Statement No. 72, Fair Value Measurement and Application, is effective for periods beginning after June 15, 2015 with earlier application encouraged. This Statement should improve financial reporting by clarifying the definition of fair value for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. The disclosures should be organized by type asset or liability reported at fair value. The Authority does not anticipate a material impact on the financial statements as a result of this pronouncement.

Pension - The Authority has established a 457(b) deferred compensation plan for its employees in accordance with Internal Revenue Code Section 501. The plan is administrated by a private administrator. All contributions are immediately vested.

Inter-program Due to/from - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds".

Federal Awards - Federal grants for reimbursable programs are recognized as revenue in the year the related program expenditure occurs. Awards received prior to meeting revenue recognition criterion are recorded as deferred revenue. Operating grants are recorded as revenue in the year earned.

Investments - The Authority has estimated the fair values of its financial investments using available market information and other valuation methodologies in accordance with GASB Statement No. 31. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds. The Authority is also in compliance with all state and local laws and regulations regarding investments.

Inventories - Inventories are stated at the lower of cost or market.

Prepaid Expenditures - Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items.

Compensated Absences - The Authority allows full-time regular employees to accumulate unused vacation.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

- Vacation is accrued based on length of employment, ranging from 10 days per year after 12 months of continuous service to 25 days after 20 years of continuous service. Unused vacation is paid upon termination.

Capital Assets - The Authority capitalizes capital assets with a cost of more than \$500 and a useful life of one year or more. Proprietary fund types focus on capital maintenance. Accordingly, land, structures and equipment are recorded in the enterprise fund, which acquires such assets.

Capital assets are stated at cost or at estimated historical cost. The cost of maintenance and repairs is charged to operations as incurred and improvements are capitalized. Capital assets are depreciated over their useful lives using the straight-line method of depreciation as follows:

Land Improvements	15-20 years
Buildings and Improvements	10-20 years
Office Furniture and Equipment	5-10 years

Operating Revenues and Expenses - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents and operating subsidies. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position in the non-operating revenue and expense.

Risk Management - The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages these various risks of loss with the following insurance coverage: worker's compensation, property and equipment, liability, flood and automobile. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Concentration of Risk - During the year ended June 30, 2017, the Authority received approximately 78 percent of its revenue from HUD.

Compliance - The Authority is subject to various federal, state and local laws and regulations and contractual regulations.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 2 - Budget Information

Enterprise Funds - The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. The Chief Financial Officer prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America.

Operating budgets for the year are prepared for all programs. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners and/or HUD. Appropriations for capital projects are authorized at the fund and expenditure level, and effective budgetary control is achieved through periodic budgeting and reporting requirements.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$7,329,711, at June 30, 2017, and are maintained in commercial checking accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities.

Cash amounts in excess of the \$250,000, FDIC limit, insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name. The Authority is also in compliance with all state and local laws and regulations regarding cash equivalents.

Of the total cash on hand at June 30, 2017, \$4,295,059 was unrestricted and \$3,034,652 was restricted, as shown below:

Unrestricted Cash	\$	4,295,059
Restricted Cash		
Tenant Security Deposits		293,197
Housing Assistance Payment		1,124,305
Family Self Sufficiency (FSS) Escrow		78,543
Funded Reserves		1,538,607
Total Restricted Cash		<u>3,034,652</u>
Total Cash	\$	<u><u>7,329,711</u></u>

Primary Government		Component Units	
Unrestricted	\$ 3,955,603	Unrestricted	\$ 339,456
Security Deposits	185,977	Security Deposits	107,220
HAP	1,124,305	Other Restricted	1,518,911
FSS Escrow	78,543	Total Restricted	<u>1,626,131</u>
Other Restricted	19,696		
Total Restricted	<u>1,408,521</u>		
Total Primary Gov.	\$ <u><u>5,364,124</u></u>	Total Comp. Units	\$ <u><u>1,965,587</u></u>

HOUSING AUTHORITY OF JOLIET
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

Note 4 - Accounts Receivable

At June 30, 2017, accounts receivable totaled \$429,076, and consisted of the following:

Primary Government	Amount
Tenant Accts. Receivable, net	\$ 73,485
Accounts Receivable - Other PHA	181,226
Accounts Receivable - Other	126,677
Total Primary Government	<u>381,388</u>
Component Units	
Tenant Accts. Receivable, net	20,795
Accounts Receivable - HUD	26,893
Total Component Unit	<u>47,688</u>
Total Accounts Receivable	<u>\$ 429,076</u>

The Authority reviews the accounts receivable periodically. The Authority had \$452,121 in inter-fund receivables and is offset by inter-fund payables. During the year \$22,622 was charged to bad debts.

Note 5 - Prepaid Expenses

Prepaid expenses totaled \$181,975, at June 30, 2017, and consisted of prepaid insurance and vendor services.

Note 6 - Material Inventories - Net

Material inventories totaled \$136,362, at June 30, 2017. Material inventories are stated at the lower of cost or market.

Note 7 - Other Non-Current Assets

Other assets totaled \$996,804, at June 30, 2017, and consisted of the following.

Primary Government - Briggs-Rosalind Development, LLC is the developer for Briggs-Rosalind Estate Phase One, Limited Partnership and has earned a developer fee in the amount of \$1,452,185, As of June 30, 2017, the outstanding amount of the developer fee was \$908,467. This amount is included in other assets and unearned revenue on the statement of net position.

Component Units - Briggs-Rosalind Estate Phase One, LP had a loan and start up costs of \$303,944 which is to be amortized over a 10 to 40 year period. As of December 31, 2016 the unamortized balance is \$20,556 at year end.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Liberty Meadows Estates Phase II, LP had a loan and start up costs of \$452,181 which is to be amortized over 10 to 30 year period. As of December 31, 2016, the unamortized balance is \$67,781 at year end.

Note 8 - Notes and Accrued Interest Receivable

Notes and accrued interest receivable at June 30, 2017, totaled \$3,725,905 and represented amounts due from various component units. Total notes receivable along with accrued interest are shown below:

Description	Notes	Interest	Total
Briggs-Rosalind Phase I	\$ 350,000	\$ -	\$ 350,000
Briggs-Rosalind Phase I	203,645	110,681	314,326
Briggs-Rosalind Phase I	620,000		620,000
Liberty Meadows Estate Phase II	430,000	38,107	468,107
Liberty Meadows Estate Phase II	610,264	63,258	673,522
Liberty Meadows Estate Phase II	1,041,858	107,995	1,149,853
Liberty Meadows Estate Phase II	136,000	14,097	150,097
Total Notes and Interest Receivable	\$ 3,391,767	\$ 334,138	\$ 3,725,905

The Housing Authority provided a loan to Briggs-Rosalind Phase I, LP in the original amount of \$350,000, dated August 17, 2007. The note bears no interest and has no required payments before maturity. The note matures on October 1, 2037, and is secured by the real estate held for lease. The balance as of June 30, 2017 was \$350,000.

The Housing Authority provided a loan to Briggs-Rosalind Phase I, LP in the original amount of \$203,645, dated August 17, 2007. The note bears interest at 5% and has no required payments before maturity. The note matures on October 1, 2037, and is secured by the real estate held for lease. The balance as of June 30, 2017 was \$314,326, which includes accrued interest of \$110,681.

The Housing Authority provided a loan to Briggs-Rosalind Phase I, LP in the original amount of \$620,000, dated August 17, 2007. The note bears no interest and has no required payments before maturity. The note matures on October 1, 2037, and is secured by the real estate held for lease. The balance as of June 30, 2017 was \$620,000.

The Housing Authority provided a loan to Liberty Meadow Estates Phase II, LP in the original amount of \$430,000, dated August 16, 2011. The note bears 2% interest compounded annually. The note matures August 31, 2051, and is secured by the real estate held for lease. The balance as of June 30, 2017 was \$468,107, which includes accrued interest of \$38,107.

The Housing Authority provided a loan to Liberty Meadow Estates Phase II, LP in the original amount of \$610,264, dated August 16, 2011. The note bears 2% interest compounded annually. The note matures August 31, 2051, and is secured by the real estate held for lease. The balance as of June 30, 2017 was \$673,522, which includes accrued interest of \$63,258.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The Housing Authority provided a loan to Liberty Meadow Estates Phase II, LP in the original amount of \$1,041,858, dated August 16, 2011. The note bears 2% interest compounded annually. The note matures August 31, 2051, and is secured by the real estate held for lease. The balance as of June 30, 2017 was \$1,149,853, which includes accrued interest of \$107,995.

The Housing Authority provided a loan to Liberty Meadow Estates Phase II, LP in the original amount of \$136,000, dated August 16, 2011. The note bears 2% interest compounded annually. The note matures August 31, 2051, and is secured by the real estate held for lease. The balance as of June 30, 2017 was \$150,097, which includes accrued interest of \$14,097.

Note 9 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended June 30, 2017, were as follows:

Primary Government	June 30, 2016	Additions / Deletions	June 30, 2017
Land	\$ 7,691,723	\$ 956,412	\$ 8,648,135
Buildings and Improvements	52,012,525	(3,558,489)	48,454,036
Equipment and Furniture	1,386,159	5,504	1,391,663
Construction in Progress	950,265	(950,265)	-
Less Accum. Depreciation	(40,905,995)	2,023,922	(38,882,073)
Total Primary Government	\$ 21,134,677	\$ (1,522,916)	\$ 19,611,761

Component Units	December 31, 2015	Additions / Deletions	December 31, 2016
Land	\$ 198	\$	\$ 198
Buildings and Improvements	24,166,077		24,166,077
Equipment and Furniture	601,708		601,708
Less Accum. Depreciation	(4,953,887)	(748,412)	(5,702,299)
Total Component Units	\$ 19,814,096	\$ (748,412)	\$ 19,065,684

Changes in land, structures and equipment during the fiscal year consisted of increases/decreases in construction in progress, equipment purchased, property sold, and depreciation expense. Capital assets are recorded at cost. Improvements are recorded based on capital improvements made. Depreciation is recorded over the useful lives of the assets using the straight-line method of depreciation. Additions for 2017 totaled \$1,540,697 and disposals totaled \$4,159,084, of which \$3,438,458 was depreciated. The disposals were mainly due to the demolition of DesPlaines Gardens. Depreciation expenses for 2017 totaled \$2,162,948.

HOUSING AUTHORITY OF JOLIET
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

Note 10 - Accounts Payable

Accounts payable totaled \$451,057, at June 30, 2017, which consisted of the following:

Primary Government	Amount
Accounts Payable - Vendors	\$ 130,392
Security Deposits	185,964
Accounts Payable - Other	27,031
Total Primary Government	<u>343,387</u>
Component Units	
Accounts Payable - Vendors	450
Security Deposits	107,220
Total Component Unit	<u>107,670</u>
Total Accounts Payable	<u>\$ 451,057</u>

The Authority had \$452,121 in inter-fund payables and is offset by inter-fund receivables.

Note 11 - Accrued Payables

Accrued payable totaled \$1,006,889, at June 30, 2017, and represented the following:

Description	Amount
Primary Government	
Accrued Salary and Wages	\$ 48,261
PILOT	221,714
Other Accrued Liabilities	59,995
Accrued Liabilities	<u>329,970</u>
Accrued Compensated Abscences - Current	55,038
Accrued Compensated Abscences - Long Term	274,171
Total Accrued Compensated Abscences	<u>329,209</u>
Component Unit	
PILOT	315,790
Other Accrued Liabilities	31,920
Accrued Liabilities	<u>347,710</u>
Total Accrued Payables	<u>\$ 1,006,889</u>

It is the Authority's policy to compensate employees for accumulated vacation leave upon termination. The Authority recognizes leave taken as a current year's salary expense during the year in which the leave is taken. Vacation is accrued for and recognized in the financial statements as an accrued liability.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 12 - Escrow Deposits

At June 30, 2017, escrow deposits amounts totaled \$78,543 and consist of amounts held for tenants in the Family Self Sufficiency (FSS) program.

Note 13 - Deferred Revenues

At June 30, 2017, deferred revenues totaled \$2,572,506, and consisted of accrued interest, as shown below:

Primary Government	Amount
Prepaid Rents	\$ 10,793
Deferred Cell Tower Lease	443,750
Total Current Deferred Inflows	<u>454,543</u>
Deferred Developer Fees - Non-Current	908,467
Total Primary Government	<u>1,363,010</u>
Component Units	
Prepaid Rents - Current	52,059
Deferred Developer Fees - Non-Current	1,157,437
Total Component Unit	<u>1,209,496</u>
Total Deferred Resources	<u>\$ 2,572,506</u>

Note 14 - Bonds Payable

Total bonds payable for the primary government totaled \$3,678,543 and consisted of a bonds payable for \$3,525,000, and \$103,543 for bond interest payable and bond premium.

Bonds payable - Capital Financing Bond Pool: This loan accrues interest at 4.41%, principal and interest is payable semi-annually, final maturity is September 1, 2025. This debt is expected to be repaid with future capital fund revenues. The balance outstanding as of June 30, 2017, was \$3,525,000. Interest paid during the audit period was \$163,967. The schedule of maturities follows:

Year End	Principal Payment	Interest Payment	Total
2018	\$ 330,000	\$ 169,530	\$ 499,530
2019	345,000	155,010	500,010
2020	360,000	139,830	499,830
2021	380,000	123,990	503,990
2022	380,000	115,570	495,570
Thereafter	1,730,000	223,073	1,953,073
Total Bond Payable	<u>\$ 3,525,000</u>	<u>\$ 927,003</u>	<u>\$ 4,452,003</u>

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 15 - Notes Payable

Total notes payable for the component units totaled \$9,545,327 and consisted of \$10,051,504 in loans as listed below and negative (\$483,367) for debt issuance cost:

Description	Notes	Accrued Interest	Total
Briggs-Rosalind - IHDA	\$ 3,357,090	\$ -	\$ 3,357,090
Briggs-Rosalind - IHDA	927,083	-	927,083
Briggs-Rosalind - HAJ	350,000	-	350,000
Briggs-Rosalind - HAJ	203,645	110,681	314,326
Briggs-Rosalind - HAJ	620,000	-	620,000
Liberty Meadows Estate - IHDA	2,041,426	-	2,041,426
Liberty Meadows Estate - HAJ	430,000	38,107	468,107
Liberty Meadows Estate - HAJ	610,264	63,258	673,522
Liberty Meadows Estate - HAJ	1,041,858	107,995	1,149,853
Liberty Meadows Estate - HAJ	136,000	14,097	150,097
Total Notes and Interest Payable	\$ 9,717,366	\$ 334,138	\$ 10,051,504

Briggs-Rosalind Phase One, LP

First mortgage note payable to Illinois Housing Development Authority (IHDA), interest at 6.6%, monthly payments of \$20,824, including interest; matures January 1, 2050, at which time any unpaid principal and interest are due. The note is insured by the United States Department of Housing and Urban Development through the Risk Sharing Program and is collateralized by the real estate held for lease and an assignment of rent and leases. The balance as of December 31, 2016 was \$3,357,090.

Second mortgage note payable to IHDA, bearing no interest, with monthly payments of principal only of \$2,917, is due until January 1, 2019. Commencing on February 1, 2019, monthly payments of principal only of \$5,417 are due; note matures November 1, 2027, at which time any unpaid principal is due. The note is collateralized by the real estate lease and an assignment of rent and leases. The balance as of December 31, 2016 was \$927,083.

Third mortgage note payable to the Housing Authority of Joliet. This note is a noninterest bearing obligation with principal due in full on October 1, 2037. The note is collateralized by the real estate held for lease. The balance as of December 31, 2016 was \$350,000.

Fourth mortgage note payable to the Housing Authority of Joliet, bearing interest at 5%, with principal and interest due in full on October 1, 2037. The note is collateralized by the real estate held for lease. The balance as of December 31, 2016 was \$203,645.

Fifth mortgage note payable to the Housing Authority of Joliet, bearing no interest, principal due in full on October 1, 2037. The note is collateralized by the real estate held for lease. The balance as of December 31, 2016 was \$620,000.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Liberty Meadow Estates Phase II, LP

The first mortgage dated December 27, 2012, is held by IHDA in the original amount of \$2,100,000 and bears interest at 5.8% per annum. Monthly installments of principal and interest in the amount of \$11,263 are due until maturity. The loan matures on January 1, 2053, at which time the entire outstanding principal balance and accrued interest are due. The loan is subject to prepayment penalties as described in the loan agreement. The mortgage is collateralized by real estate held for lease and assignment of rents and leases. The outstanding balance as of December 31, 2016, was \$2,041,426.

The HOME loan dated August 16, 2011, is held by the Housing Authority of Joliet in the original amount of \$430,000 and bears interest of 2% per annum. Principal and interest payments are payable from cash flow. The mortgage matures on August 31, 2051, at which time the entire principal balance is due. The Project is subject to compliance with the HOME program rules and regulations. If the Project is in non-compliance with the HOME program rules and regulations, the project will be subject to the recapture provisions mentioned in the loan agreement. The mortgage is collateralized by real estate held for lease and assignment of rents and leases. The outstanding balance as of December 31, 2016, was \$430,000.

The replacement housing factor loan dated August 16, 2011 is held by the Housing Authority of Joliet in the original amount of \$610,264 and bears interest at 2% per annum. Principal and interest payments are payable from cash flow. The mortgage is collateralized by real estate held for lease and assignment of rents and leases. The outstanding balance as of December 31, 2016 was \$610,264.

The AHP loan dated August 16, 2011, is held by the Housing Authority of Joliet in the original amount of \$136,000 and bears interest at 2% per annum. Principal and interest payments are payable from cash flow. The mortgage matures on August 31, 2051, at which time the entire principal balance is due. The mortgage is collateralized by real estate held for lease and assignment of rents and leases. The outstanding balance as of December 31, 2016 was \$136,000.

The capital funds loan dated August 16, 2011, is held by the Housing Authority of Joliet in the original amount of \$1,041,858 and bears interest at 2% per annum. Principal and interest payments are payable from cash flow. The mortgage matures on August 31, 2051, at which time the entire principal balance is due. The mortgage is collateralized by real estate held for lease and assignment of rents and leases. The outstanding balance as of December 31, 2016 was \$1,041,858.

Current Balance	\$	201,362
Non-Current Balance		9,343,965
Total	\$	<u>9,545,327</u>

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 16 - Employee Benefit Plan

The Authority has an employee defined contribution retirement plan with the financial services company, John Hancock. To be eligible, an employee must have completed three months of service. A defined contribution retirement plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual accounts are to be determined instead of specifying the amount of benefits the individual is to receive.

Vesting occurs at 20% per year for five years at which time the employee is fully vested. The Authority matches up to 6% of each participating employee's annual wages. Employee and employer contributions to the plan during the year ended June 30, 2017 were \$112,959 and \$117,185, respectively. Total payroll expense for the Authority was \$2,048,071.

Other than the above mentioned pension plan, the Authority does not participate in Other Post Employment Benefits.

Note 17 - Commitments and Contingencies

The Authority receives financial assistance from federal government agencies in the form of grants and operating subsidies. Disbursements of funds received under these programs require compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the Authority.

The Authority also has certain contingent liabilities resulting from litigations, claims, and commitments incident to the ordinary course of business. Management expects the final resolution of such contingencies will not have a material adverse effect on the financial position of the Authority.

Note 18 - Administrative Fees

The Authority receives an "Administrative Fee" as part of each of the annual contributions contract from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Housing Assistance programs.

Note 19 - Allocation of Cost

The Authority uses the direct cost method to recognize the expenses of each project and program. The central office charges the projects and programs a management fee. This fee is recognized as income for the central office and as an expense for the projects and programs. These fees between the projects and central office are eliminated during the reporting process. Fees from the programs are not eliminated and are recognized as revenue to central office and an expense to the program. Management considers this to be an equitable method of allocation.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 20 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to June 30, 2017, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through March 16, 2018, the date the financial statements were issued. The Authority has not evaluated events occurring after February 16, 2018, in these financial statements.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF JOLIET
STATEMENT OF PROGRAM NET POSITION
JUNE 30, 2017

EXHIBIT D

	Low-Rent Public Housing	Housing Choice Voucher	Other Programs	Blended Component Unit	Eliminations	Discretely Presented Component Units		2017 TOTAL
						LME	Briggs	
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 2,987,673	\$ 1,698,825	\$	\$ 677,626	\$	\$ 925,044	\$ 1,040,543	\$ 7,329,711
Accounts Receivable, net	139,830	240,408		453,271	(452,121)	33,023	14,665	429,076
Prepaid Expenses	107,690	2,628		8,966		10,176	52,515	181,975
Material Inventories, net	136,362							136,362
Total Current Assets	3,371,555	1,941,861	-	1,139,863	(452,121)	968,243	1,107,723	8,077,124
NON CURRENT ASSETS								
Other Assets				908,467		67,781	20,556	996,804
Notes Receivable - Long Term	3,725,905							3,725,905
Capital Assets, net	19,180,052	9,305		422,404		6,720,414	12,345,270	38,677,445
Total Non-Current Assets	22,905,957	9,305	-	1,330,871	-	6,788,195	12,365,826	43,400,154
TOTAL ASSETS	\$ 26,277,512	\$ 1,951,166	\$ -	\$ 2,470,734	\$ (452,121)	\$ 7,756,438	\$ 13,473,549	\$ 51,477,278
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
Accounts Payable	\$ 717,535	\$ 71,867	\$	\$ 6,106	\$ (452,121)	\$ 33,230	\$ 74,440	\$ 451,057
Accrued Liabilities	315,844	6,408		7,718		141,521	206,189	677,680
Accrued Comp. Abs. - Current	49,295	5,743						55,038
Deferred Revenue - Current	454,543					25,781	26,278	506,602
Notes and Bonds - Current	383,874					27,070	174,292	585,236
Total Current Liabilities	1,921,091	84,018	-	13,824	(452,121)	227,602	481,199	2,275,613
NONCURRENT LIABILITIES								
Escrow Deposits		78,543						78,543
Accr. Comp. Abs. - Non-Current	245,562	28,609						274,171
Deferred Revenue - Long-Term				908,467		248,970	908,467	2,065,904
Notes and Bonds - Long-Term	3,294,669					4,125,501	5,218,464	12,638,634
Total Noncurrent Liabilities	3,540,231	107,152	-	908,467	-	4,374,471	6,126,931	15,057,252
Total Liabilities	5,461,322	191,170	-	922,291	(452,121)	4,602,073	6,608,130	17,332,865
NET POSITION								
Unrestricted Net Position	5,314,681	626,386	-	1,107,205	-	7,390	(1,026,874)	6,028,788
Restricted Net Position		1,124,305		18,834		579,132	939,779	2,662,050
Net Investment in Capital Assets	15,501,509	9,305	-	422,404	-	2,567,843	6,952,514	25,453,575
Total Net Position	20,816,190	1,759,996	-	1,548,443	-	3,154,365	6,865,419	34,144,413
TOTAL LIABILITIES AND NET POSITION	\$ 26,277,512	\$ 1,951,166	\$ -	\$ 2,470,734	\$ (452,121)	\$ 7,756,438	\$ 13,473,549	\$ 51,477,278

See Accompanying Notes to the Financial Statements

HOUSING AUTHORITY OF JOLIET
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT E

	Low-Rent Public Housing	Housing Choice Voucher	Other Programs	Blended Component Unit	Eliminations	Discretely Presented Component Units		2017 TOTAL
						LME	Briggs	
OPERATING REVENUES								
Tenant Charges	\$ 2,319,358	\$	\$	\$ 15,196	\$	\$ 441,823	\$ 710,729	\$ 3,487,106
HUD Operating Grants	4,242,280	19,624,953						23,867,233
Other Income	1,430,089	2,697,292	275,231	375,002	(1,266,638)	6,283	19,210	3,536,469
TOTAL REVENUES	7,991,727	22,322,245	275,231	390,198	(1,266,638)	448,106	729,939	30,890,808
OPERATING EXPENSES								
Administrative Expenses	3,346,371	1,119,238	22,387	4,597	(1,266,638)	73,422	105,631	3,405,008
Tenant Services	125,008	80,782						205,790
Utilities Expenses	821,862	5,829		1,192		4,057	8,216	841,156
Ordinary Maintenance	2,226,455	5,021		6,948		67,941	162,742	2,469,107
Protective Services	214,473	5,956				1,498		221,927
Insurance Expenses	444,023	58,680		3,317		39,711	80,534	626,265
General Expenses	353,977	26,522		350		42,911	82,898	506,658
Housing Assistance Payments		19,471,431	200,206					19,671,637
Depreciation Expense	1,358,315	2,359		31,624		272,452	498,198	2,162,948
TOTAL OPERATING EXPENSES	8,890,484	20,775,818	222,593	48,028	(1,266,638)	501,992	938,219	30,110,496
OPERATING INCOME (LOSS)	(898,757)	1,546,427	52,638	342,170	-	(53,886)	(208,280)	780,312
NON-OPERATING REVENUES AND (EXPENSES)								
Interest Income	65,596	319	31	1		782	1,022	67,751
Interest Expense	(166,265)					(181,158)	(244,001)	(591,424)
Total Non-Op. Income/(Loss)	(100,669)	319	31	1	-	(180,376)	(242,979)	(523,673)
CAPITAL CONTRIBUTIONS AND (LOSSES)								
HUD Capital Grants	341,814							341,814
Gain/(Loss) on Sale of Assets	(310,325)							(310,325)
Total Non-Op. Income/(Loss)	31,489	-	-	-	-	-	-	31,489
CHANGES IN NET POSITION	(967,937)	1,546,746	52,669	342,171	-	(234,262)	(451,259)	288,128
BEGINNING NET POSITION	21,763,079	187,736	50,830	1,206,272	-	3,388,627	7,316,678	33,913,222
PRIOR PERIOD ADJUSTMENT	21,048	25,514	(103,499)					(56,937)
ENDING NET POSITION	\$ 20,816,190	\$ 1,759,996	\$ -	\$ 1,548,443	\$ -	\$ 3,154,365	\$ 6,865,419	\$ 34,144,413

See Accompanying Notes to the Financial Statements

HOUSING AUTHORITY OF JOLIET
 SCHEDULE EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT F

FEDERAL GRANTOR	CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Federal Programs - U S Department of Housing and Urban Development			
<u>Low-Income Rental Housing Programs</u>			
Public and Indian Housing	14.850	\$ 3,713,543	\$ 6,899,502
Public Housing Capital Fund	14.872	<u>795,778</u>	<u>795,778</u>
Total Low-Income Rental Housing Programs		4,509,321	7,695,280
<u>Housing Choice Voucher Cluster</u>			
Section 8 Housing Choice Voucher Program	14.871	<u>19,563,918</u>	<u>20,714,784</u>
Total Major Federal Program		24,073,239	28,410,064
Non-Major Federal Program - U S Department of Housing and Urban Development			
<u>Other Non-Major Programs</u>			
PIH Family Self-Sufficiency Program	14.896	61,035	61,035
Resident Opportunity and Self Sufficiency	14.870	<u>74,773</u>	<u>74,773</u>
Total Non-Major Federal Program		135,808	135,808
Total All Programs		<u>\$ 24,209,047</u>	<u>\$ 28,545,872</u>

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of Joliet, (Authority), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's consolidated financial statements.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended June 30, 2017. The awards are classified into major and non-major program categories in accordance with the provisions of the Uniform Guidance. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended June 30, 2017, and should be read in conjunction with the Authority's consolidated financial statements.

The Authority did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.414 Indirect (F&A) costs.

Note 2 - Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

Note 3 - Sub-recipients

There were no sub-recipients for the year ended June 30, 2017.

Note 4 - Loans Outstanding

There were no federal loans outstanding for the year ended June 30, 2017.

Note 5 - Non-Cash Assistance

The Authority provided no non-cash assistance for the year ended June 30, 2017.

Note 6 - Insurance

The Authority had no federal insurance for the year ended June 30, 2017.

**HOUSING AUTHORITY OF JOLIET
STATEMENT OF CAPITAL FUND PROGRAM COST COMPLETED
FOR THE YEAR ENDED JUNE 30, 2017**

EXHIBIT G

ANNUAL CONTRIBUTION CONTRACT IL06PO24501 - 15, 16
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	501 - 15	501 - 16	Total
Funds Approved	\$ 1,713,121	\$ 1,791,840	\$ 3,504,961
Funds Expended	<u>1,713,121</u>	<u>1,600,630</u>	<u>3,313,751</u>
Excess\ (Deficit) of Funds Approved	\$ <u>-</u>	\$ <u>191,210</u>	\$ <u>191,210</u>
Funds Advanced	\$ 1,713,121	\$ 1,791,840	\$ 3,504,961
Funds Expended	<u>1,713,121</u>	<u>1,600,630</u>	<u>3,313,751</u>
Excess\ (Deficit) of Funds Advanced	\$ <u>-</u>	\$ <u>191,210</u>	\$ <u>191,210</u>

- 1 The total costs of the Modernization costs of the Mordernization grant is shown above.
- 2 All Modernization work in connection with the Modernization have been completed.
- 3 The entire actual modernization costs or liabilities therefore incurred by the Authority have been fully paid;
- 4 There are no undischarges mechanics', laborers contractors', or material-men leins against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
- 5 The time in which such lein could be filed has expired.

HOUSING AUTHORITY OF JOLIET
 STATEMENT OF FAMILY SELF SUFFICIENCY PROGRAM COST COMPLETED
 FOR THE YEAR ENDED JUNE 30, 2017 EXHIBIT H

FAMILY SELF SUFFICIENCY PROGRAM IL024FSH206A015

Funds Approved	\$	63,898
Funds Expended		<u>73,157</u>
Excess\ (Deficit) of Funds Approved	\$	<u>(9,259)</u>
Funds Advanced	\$	63,898
Funds Expended		<u>73,157</u>
Excess\ (Deficit) of Funds Advanced	\$	<u>(9,259)</u>

- 1 All costs were incurred in the prior audit and accordingly were not reaudited by Velma Butler & Company, Ltd.

- 2 The total program costs as stated on the Annual Statement of cost on the Short Form 425 dated October 26, 2016 is in agreement with the Authority's records.

- 3 All Family Self Sufficiency cost have been paid and all related liabilities have been discharged through payment.

SINGLE AUDIT REPORTS

**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
Housing Authority of Joliet
Joliet, Illinois

U.S. Department of Housing and Urban
Development
Ralph Metcalfe Federal Building
77 West Jackson Boulevard
Chicago, Illinois

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 business-type activities and the aggregate discretely presented component units of the Housing Authority of Joliet (Authority), as of and for the year ended June 30, 2017, 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 16, 2018.

Internal Control Over Financial Reporting

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

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

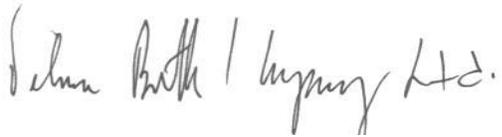
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 cursive script that reads "Velma Butler & Company, Ltd.".

Velma Butler & Company, Ltd.
Chicago, Illinois

March 16, 2018

Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Commissioners
Housing Authority of Joliet
Joliet, Illinois

U.S. Department of Housing and Urban
Development
Ralph Metcalfe Federal Building
77 West Jackson Boulevard
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Joliet (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. 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 each of 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 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 each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal controls 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

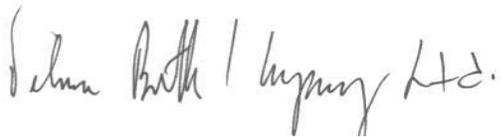
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 type of 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 the internal controls 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated March 16, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Velma Butler & Company, Ltd.
Chicago, Illinois

March 16, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COST

**THE HOUSING AUTHORITY OF JOLIET
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditor's Results

Financial Statements

The type of report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Deficiencies identified not considered to be material weaknesses?
Yes X None reported

Noncompliance material to financial statements noted?
Yes X None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Deficiencies identified not considered to be material weaknesses?
Yes X None reported

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Audit Guidance?

Yes X No

Identification of major program:

U.S. Department of Housing and Urban Development

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Low Rent Rental Assistance Programs	
14.850	Low Rent Public Housing
14.872	Public Housing Capital Fund Program
Housing Choice Voucher Housing Assistance Programs	
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? X Yes No

**THE HOUSING AUTHORITY OF JOLIET
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR
FOR THE YEAR ENDED JUNE 30, 2017**

Section II - Financial Statement Findings

There were no reportable findings for the fiscal year ended June 30, 2017.

Section III - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended June 30, 2017.

**THE HOUSING AUTHORITY OF JOLIET
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2017**

Section IV - Financial Statement Findings

There were no reportable findings for the fiscal year ended June 30, 2016.

Section V - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended June 30, 2016.

**THE HOUSING AUTHORITY OF JOLIET
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Section 8 Housing Management Assessment Program and did not observe any material instances of noncompliance.

**THE HOUSING AUTHORITY OF JOLIET
STATEMENT OF COMPLIANCE WITH
PUBLIC HOUSING ASSESSMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Public Housing Assessment System Program and did not note any material instances of noncompliance.