
**THE HOUSING AUTHORITY OF JOLIET
INDEPENDENT AUDITORS' REPORT,
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION,
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED
JUNE 30, 2016**

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 accompanying financial statements of the Housing Authority of Joliet (the Authority), Joliet, Illinois, as of and for the year ended June 30, 2016, 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, 2015. These financial statements were audited by other auditors, whose report dated March 13, 2016, express an unqualified 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 business-type activities, and the aggregate discretely presented component units of the Authority, as of June 30, 2016, 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 February 7, 2017, 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.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd." The signature is written in dark ink and is positioned above the printed name of the firm.

Velma Butler & Company, Ltd.
Chicago, Illinois

February 7, 2017

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, 2016.

We are pleased to submit the financial statements of the Housing Authority of Joliet for the year ended June 30, 2016. 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, 2016, was \$33.9 million a decrease of \$1 million from the June 30, 2015 total of \$35 million.
- Revenue increased by \$3.6 million for the fiscal year 2016. The increase was primarily due to an increase in HUD Grants.
- Operating expenses, excluding depreciation, increased by \$4 million or by 18%, from \$22.2 million at June 30, 2015 to \$26.2 million at June 30, 2016.
- Total assets decreased by \$1.8 million, from \$54.5 million at June 30, 2015 to \$52.6 million at June 30, 2016.
- Capital assets were \$40.9 million at June 30, 2016, a decrease of \$1.3 million from the June 30, 2015, balance of \$42.2 million, primarily because of depreciation

- Liabilities decreased by \$796 thousand, from \$19.5 million at June 30, 2015 to \$18.7 million at June 30, 2016.

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, 2016 decreased by \$1 million to \$33.9 million from \$35 million. This was a 3.0% decrease.

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Percentage Change</u>
Cash	\$ 4,679	\$ 6,190	\$ (1,511)	-24.4%
Other Current Assets	1,875	928	947	102.0%
Total Current Assets	<u>6,554</u>	<u>7,118</u>	<u>(564)</u>	-7.9%
Non-Current Assets				
Capital Assets	40,949	42,245	(1,296)	-3.1%
Notes and Interest Receivable	5,132	5,112	20	0.4%
Total Assets	<u>\$ 52,635</u>	<u>\$ 54,475</u>	<u>\$ (1,840)</u>	-3.4%
Current Liabilities				
Current Liabilities	\$ 2,611	\$ 3,000	\$ (389)	-13.0%
Notes and Bonds Payable	13,605	14,089	(484)	-3.4%
Other Non Current Liabilities	2,506	2,430	76	3.1%
Total Liabilities	<u>18,722</u>	<u>19,519</u>	<u>(797)</u>	-4.1%
Unrestricted	5,292	5,607	(315)	-5.6%
Restricted Net Assets	1,431	1,193	238	19.9%
Net Investment in Capital Assets	27,190	28,156	(966)	-3.4%
Total Net Position	<u>33,913</u>	<u>34,956</u>	<u>(1,043)</u>	-3.0%
Total Liab. and Net Position	<u>\$ 52,635</u>	<u>\$ 54,475</u>	<u>\$ (1,840)</u>	-3.4%

CAPITAL ASSETS

Capital assets decreased by \$1.3 million from \$42.2 million to \$40.9 million, as shown in the table below:

	<u>June 30, 2015</u>	<u>Additions / Deletions</u>	<u>June 30, 2016</u>
Land	\$ 7,691,921	\$	\$ 7,691,921
Buildings and Improvements	76,178,602		76,178,602
Equipment and Furniture	1,833,170	154,697	1,987,867
Construction in Progress	-	950,265	950,265
Less Accum. Depreciation	(43,458,229)	(2,401,653)	(45,859,882)
Total Capital Assets	<u>\$ 42,245,464</u>	<u>\$ (1,296,691)</u>	<u>\$ 40,948,773</u>

Capital additions totaled \$154,697 and there were no dispositions. Depreciation expense for the year totaled \$2,401,653.

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 \$3.6 million. Deferred inflow of resources comes from accrued developer fee for \$908 thousand. The Authority maintains escrow deposits for tenants totaling \$67 thousand. Additional information can be found in the Notes to Financial Statements.

BONDS AND NOTES PAYABLE

The Authority has bonds outstanding totaling \$3.9 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 \$10 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 \$3.6 million or 14.8 percent, while total expenses increased by \$4 million or 15.8 percent, from approximately \$25.3 million at June 30, 2015 to \$29.2 million at June 30, 2016.

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Percentage Change</u>
Tenant Revenue	\$ 3,623	\$ 3,849	\$ (226)	-5.9 %
HUD Revenue	21,799	16,369	5,430	33.2 %
Other Income	2,917	4,475	(1,558)	-34.8 %
Total Revenue	<u>28,339</u>	<u>24,693</u>	<u>3,646</u>	14.8 %
Operating Expenses	26,166	22,174	3,992	18.0 %
Depreciation	2,402	2,460	(58)	-2.4 %
Non-Operating Expense	667	623	44	7.1 %
Total Expenses	<u>29,235</u>	<u>25,257</u>	<u>3,978</u>	15.8 %
Change in Net Position	(896)	(564)	(332)	58.9 %
Prior Period Adjustment	(147)	-	(147)	%
Beginning Net Position	34,956	35,520	(564)	-1.6 %
Ending Net Position	<u>\$ 33,913</u>	<u>\$ 34,956</u>	<u>\$ (1,043)</u>	-3.0 %

Expenses

Total expenses increased by approximately 15.8 percent, changes are shown below:

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

	2016	2015	Change	Total Percent Change
Administrative Expenses	\$ 3,444	\$ 3,304	\$ 140	4.2%
Tenant Services	870	389	481	123.7%
Utilities Expenses	1,003	1,395	(392)	-28.1%
Ordinary Maintenance	2,324	2,110	214	10.1%
Protective Services	215	207	8	3.9%
Insurance	669	1,036	(367)	-35.4%
General Expenses	577	357	220	61.6%
Housing Assistance Payments	17,065	13,376	3,689	100.0%
Depreciation Expense	2,401	2,460	(59)	-2.4%
Interest Expense	667	623	44	7.1%
Total Expenses	\$ 29,235	\$ 25,257	\$ 3,978	15.8%

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. We anticipate demolition to begin sometime this summer and completion of the new development, Water's Edge, sometime in the fall of 2017. All of our families from DesPlaines Gardens have the first right of refusal after the development is completed. The redeveloped site will become 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 - ENTERPRISE FUND
JUNE 30, 2016

EXHIBIT A

	PRIMARY GOVERNMENT	COMPONENT UNITS	2016 TOTAL
ASSETS			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 2,323,836	\$ 363,924	\$ 2,687,760
Cash and Cash Equivalents - Restricted	528,315	1,462,732	1,991,047
Accounts Receivable, net	1,461,675	45,533	1,507,208
Prepaid Expenses	100,002	60,226	160,228
Material Inventories, net	207,938		207,938
Total Current Assets	<u>4,621,766</u>	<u>1,932,415</u>	<u>6,554,181</u>
<u>NON CURRENT ASSETS</u>			
Other Assets	908,467	560,968	1,469,435
Notes and Interest Receivable - Long Term	3,663,063		3,663,063
Capital Assets, net	21,134,677	19,814,096	40,948,773
Total Non-Current Assets	<u>25,706,207</u>	<u>20,375,064</u>	<u>46,081,271</u>
TOTAL ASSETS	\$ <u>30,327,973</u>	\$ <u>22,307,479</u>	\$ <u>52,635,452</u>
LIABILITIES AND NET POSITION			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 336,848	\$ 123,956	\$ 460,804
Accrued Liabilities	1,008,109	133,262	1,141,371
Accrued Compensated Absences - Current	50,652		50,652
Deferred Inflow of Resources - Current	509,868	38,722	548,590
Bonds and Notes Payable - Current	331,820	78,564	410,384
Total Current Liabilities	<u>2,237,297</u>	<u>374,504</u>	<u>2,611,801</u>
<u>NONCURRENT LIABILITIES</u>			
Escrow Deposits	68,685		68,685
Accrued Compensated Abs. - Non-Current	274,729		274,729
Deferred Inflow of Resources - Long-Term	908,467	1,253,293	2,161,760
Bonds and Notes Payable - Long-Term	3,630,878	9,974,377	13,605,255
Total Noncurrent Liabilities	<u>4,882,759</u>	<u>11,227,670</u>	<u>16,110,429</u>
Total Liabilities	<u>7,120,056</u>	<u>11,602,174</u>	<u>18,722,230</u>
<u>NET POSITION</u>			
Unrestricted Net Position	5,957,707	(408,478)	5,549,229
Restricted Net Position	78,229	1,352,628	1,430,857
Net Investment in Capital Assets	17,171,981	9,761,155	26,933,136
Total Net Position	<u>23,207,917</u>	<u>10,705,305</u>	<u>33,913,222</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>30,327,973</u>	\$ <u>22,307,479</u>	\$ <u>52,635,452</u>

See Accompanying Notes to Financial Statements

**HOUSING AUTHORITY OF JOLIET
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT B

	PRIMARY GOVERNMENT	COMPONENT UNIT	2016 TOTAL
OPERATING REVENUES			
Tenant Charges	\$ 2,488,339	\$ 1,134,549	\$ 3,622,888
HUD Operating Grants	20,208,832		20,208,832
Other Income	2,830,285	22,598	2,852,883
TOTAL REVENUES	25,527,456	1,157,147	26,684,603
OPERATING EXPENSES			
Administrative Expenses	3,251,532	192,428	3,443,960
Tenant Services	870,260		870,260
Utilities Expenses	993,871	8,909	1,002,780
Ordinary Maintenance	2,088,734	235,185	2,323,919
Protective Services	213,471	1,239	214,710
Insurance Expense	531,511	137,528	669,039
General Expenses	429,937	146,549	576,486
Housing Assistance Payments	17,064,951		17,064,951
Depreciation Expense	1,653,281	748,372	2,401,653
TOTAL OPERATING EXPENSES	27,097,548	1,470,210	28,567,758
OPERATING INCOME (LOSS)	(1,570,092)	(313,063)	(1,883,155)
NON-OPERATING REVENUES AND (EXPENSES)			
Interest Income	64,299	69	64,368
Interest Expense	(187,764)	(479,451)	(667,215)
Total Non-Operating Income/(Loss)	(123,465)	(479,382)	(602,847)
CAPITAL CONTRIBUTIONS AND (LOSSES)			
HUD Capital Grants	1,590,265		1,590,265
CHANGES IN NET POSITION	(103,292)	(792,445)	(895,737)
BEGINNING NET POSITION	23,494,861	11,460,964	34,955,825
PRIOR PERIOD ADJUSTMENTS	(146,866)		(146,866)
ENDING NET POSITION	\$ 23,244,703	\$ 10,668,519	\$ 33,913,222

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF JOLIET
 STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT C

	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tenants and Others	\$ 26,659,184
Payments to Employees	(3,444,384)
Payments to Vendors and Suppliers	(24,060,065)
Net Cash Provided by/ (Used for) Operating Activities	(845,265)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	64,368
Net Cash Provided by/ (Used for) Investing Activities	64,368
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
(Purchase)/Sale of Capital Assets	(1,104,962)
Capital Grants	1,590,265
Increase/ (Decrease) in Bonds & Notes Payable	(580,501)
Interest Expense	(635,096)
Net Cash Provided by/ (Used for) Financing Activities	(730,294)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,511,191)
CASH AND CASH EQUIVALENTS AT JULY 1, 2015	6,189,998
CASH AND CASH EQUIVALENTS AT JUNE 30, 2016	\$ 4,678,807
Unrestricted Cash and Cash Equivalents at June 30, 2016	\$ 2,687,760
Restricted Cash June 30, 2016 for Current Liabilities	297,372
Restricted Cash June 30, 2016 for Non-Current Liabilities	1,693,675
CASH AND CASH EQUIVALENTS AT JUNE 30, 2016	\$ 4,678,807
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities	
Operating Income/ (Loss)	\$ (1,883,155)
Adjustments To Reconcile:	
Depreciation	2,401,653
Less Prior Period Adjustment	(146,866)
Changes in Assets and Liabilities	
(Increase)/Decrease in Accounts Receivable	(1,097,760)
(Increase)/Decrease in Prepaid Expenses	46,881
(Increase)/Decrease in Material Inventories	28,079
(Increase)/Decrease in Other Assets	54,696
Increase/ (Decrease) in Accounts Payable	(618,313)
Increase/ (Decrease) in Accrued Liabilities	668,102
Increase/ (Decrease) in Escrow Deposits	4,690
Increase/ (Decrease) in Deferred Resources	(303,272)
Net Cash Provided by/ (Used for) Operating Activities	\$ (845,265)
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, 2016**

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 there are no other entities that are to be reported as component units of the Authority nor for the Authority 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, 2016

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 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, 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, 2016**

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, 2016.

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, 2016

- 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.

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, 2016**

(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 or state 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" on the balance sheet.

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, 2016, 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, 2016**

- 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. 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, 2016, the Authority received approximately 83 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, 2016**

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 \$4,678,807, at June 30, 2016, 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, 2016, \$2,688,286 was unrestricted and \$1,991,047 was restricted, as shown below:

Total Unrestricted Cash	\$	2,687,760
Tenant Security Deposits		296,514
Housing Assistance Payment		273,220
FSS Escrow		68,685
Funded Reserves		1,352,628
Total Restricted Cash		<u>1,991,047</u>
Total Cash	\$	<u><u>4,678,807</u></u>

Primary Government		Component Units	
Unrestricted	\$ 2,323,836	Unrestricted	\$ 363,924
Security Deposits	186,410	Security Deposits	110,104
HAP	273,220	Other Restricted	1,352,628
FSS Escrow	68,685	Total Restricted	<u>1,462,732</u>
Total Restricted	<u>528,315</u>		
Total Primary Gov.	\$ <u><u>2,852,151</u></u>	Total Comp. Units	\$ <u><u>1,826,656</u></u>

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 4 - Accounts Receivable

At June 30, 2016, accounts receivable totaled \$1,507,208, and consisted of the following:

Primary Government	Amount
Tenant Accts. Receivable, net	\$ 106,463
Accounts Receivable - HUD	863,854
Accounts Receivable - Other PHA	121,733
Accounts Receivable - Grants	278,233
Accounts Receivable - Other	91,392
Total Primary Government	<u>1,461,675</u>
Component Units	
Tenant Accts. Receivable, net	11,048
Accounts Receivable - HUD	34,485
Total Component Unit	<u>45,533</u>
Total Accounts Receivable	<u>\$ 1,507,208</u>

The Authority reviews the accounts receivable periodically. The Authority had \$642,189 in inter-fund receivables and is offset by inter-fund payables. During the year \$21,122 was charged to bad debts.

Note 5 - Prepaid Expenses

Prepaid expenses totaled \$160,228, at June 30, 2016, and consisted of prepaid insurance and vendor services.

Note 6 - Material Inventories - Net

Material inventories totaled \$207,938, at June 30, 2016. Material inventories are stated at the lower of cost or market.

Note 7 - Other Non-Current Assets

Other assets totaled \$1,469,435, at June 30, 2016, 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, 2016, 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, 2015 the current amortization costs was \$16,982 with a total cumulative amortization of \$101,892. This

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

resulted in an unamortized balance of \$185,070 at year end. Additionally, this entity had other asset of \$543.

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, 2015, the current amortization was \$23,048 with a total cumulative amortization of \$53,778. This resulted in an unamortized balance of \$375,355 at year end.

Note 8 - Notes and Accrued Interest Receivable

Notes and accrued interest receivable at June 30, 2016, totaled \$3,663,063 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	95,713	299,358
Briggs-Rosalind Phase I	620,000		620,000
Liberty Meadows Estate Phase II	430,000	28,929	458,929
Liberty Meadows Estate Phase II	610,264	50,051	660,315
Liberty Meadows Estate Phase II	1,041,858	85,449	1,127,307
Liberty Meadows Estate Phase II	136,000	11,154	147,154
Total Notes and Interest Receivable	\$ 3,391,767	\$ 271,296	\$ 3,663,063

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, 2016 is \$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, 2016 is \$299,358, which includes accrued interest of \$95,713.

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, 2016 is \$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, 2016 is \$458,929, which includes accrued interest of \$28,929.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016 is \$660,315, which includes accrued interest of \$50,051.

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, 2016 is \$1,127,307, which includes accrued interest of \$85,449.

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, 2016 is \$147,154, which includes accrued interest of \$11,154.

Note 9 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended June 30, 2016, were as follows:

Primary Government	June 30, 2015	Additions / Deletions	June 30, 2016
Land	\$ 7,691,723	\$	\$ 7,691,723
Buildings and Improvements	52,012,525		52,012,525
Equipment and Furniture	1,318,500	67,659	1,386,159
Construction in Progress	-	950,265	950,265
Less Accum. Depreciation	(39,252,714)	(1,653,281)	(40,905,995)
Total Primary Government	\$ 21,770,034	\$ (635,357)	\$ 21,134,677

Component Units	December 31, 2014	Additions / Deletions	December 31, 2015
Land	\$ 198	\$	\$ 198
Buildings and Improvements	24,166,077		24,166,077
Equipment and Furniture	514,670	87,038	601,708
Less Accum. Depreciation	(4,205,515)	(748,372)	(4,953,887)
Total Component Units	\$ 20,475,430	\$ (661,334)	\$ 19,814,096

Changes in land, structures and equipment during the fiscal year consisted of increases 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. Depreciation expenses for 2016 totaled \$2,401,653.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 10 - Accounts Payable

Accounts payable totaled \$460,804, at June 30, 2016, which consisted of the following:

Primary Government	Amount
Accounts Payable - Vendors	\$ 151,049
Security Deposits	185,799
Total Primary Government	<u>336,848</u>
Component Units	
Accounts Payable - Vendors	13,852
Security Deposits	110,104
Total Component Unit	<u>123,956</u>
Total Accounts Payable	<u>\$ 460,804</u>

The Authority had \$642,189 in inter-fund payables and is offset by inter-fund receivables.

Note 11 - Accrued Payables

Accrued payable totaled \$1,466,752, at June 30, 2016, and represented the following:

Description	Amount
Primary Government	
Accrued Salary and Wages	\$ 44,105
PILOT	201,341
Other Accrued Liabilities	762,663
Accrued Liabilities	<u>1,008,109</u>
Accrued Compensated Abscences - Current	50,652
Accrued Compensated Abscences - Long Term	274,729
Total Accrued Compensated Abscences	<u>325,381</u>
Component Unit	
PILOT	69,867
Other Accrued Liabilities	63,395
Accrued Liabilities	<u>133,262</u>
Total Accrued Payables	<u>\$ 1,466,752</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, 2016**

Note 12 - Escrow Deposits

At June 30, 2016, escrow deposits amounts totaled \$68,685 and consist of amounts held for tenants in the Family Self Sufficiency (FSS) program.

Note 13 - Deferred Inflow of Resources

At June 30, 2016, deferred inflow of resources totaled \$2,710,350, and consisted of accrued interest, as shown below:

Primary Government	Amount
Prepaid Rents	\$ 40,341
Deferred Cell Tower Lease	456,250
Other Deferred Income	13,277
Total Current Deferred Inflows	<u>509,868</u>
Deferred Developer Fees - Non-Current	<u>908,467</u>
Total Primary Government	<u>1,418,335</u>
Component Units	
Prepaid Rents - Current	38,722
Deferred Developer Fees - Non-Current	1,253,293
Total Component Unit	<u>1,292,015</u>
Total Deferred Resources	<u>\$ 2,710,350</u>

Note 14 - Bonds Payable

Total bonds payable for the primary government totaled \$3,962,698 and consisted of a capital lease for \$11,820, bonds payable for \$3,895,000 and 55,878 for bond interest payable.

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, 2016, was \$3,895,000. Interest paid during the audit period was \$182,946. The schedule of maturities follows:

Year End	Principal Payment	Interest Payment	Total
2017	\$ 320,000	\$ 183,608	\$ 503,608
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
Thereafter	2,160,000	338,643	2,498,643
Total Bond Payable	<u>\$ 3,895,000</u>	<u>\$ 1,110,611</u>	<u>\$ 5,005,611</u>

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

In November 2003, the Housing Authority entered into an Energy Performance Contract related, long-term, lease for equipment with AMERESCO that has been accounted for as a capital lease. The lease expires in 2017. Total payments due in fiscal year 2017 are \$11,820

Note 15 - Notes Payable - Component Units

Total notes payable for the component units totaled \$10,052,941 and consisted of the following loans:

Description	Notes	Accrued Interest	Total
Briggs-Rosalind - IHDA	\$ 3,370,136	\$ -	\$ 3,370,136
Briggs-Rosalind - IHDA	962,083	-	962,083
Briggs-Rosalind - HAJ	350,000	-	350,000
Briggs-Rosalind - HAJ	203,645	95,713	299,358
Briggs-Rosalind - HAJ	620,000	-	620,000
Liberty Meadows Estate - IHDA	2,057,659	-	2,057,659
Liberty Meadows Estate - HAJ	430,000	28,929	458,929
Liberty Meadows Estate - HAJ	610,264	50,051	660,315
Liberty Meadows Estate - HAJ	1,041,858	85,449	1,127,307
Liberty Meadows Estate - HAJ	136,000	11,154	147,154
Total Notes and Interest Payable	\$ 9,781,645	\$ 271,296	\$ 10,052,941

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, 2015 was \$3,370,136.

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, 2015 was \$962,083.

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, 2015 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, 2015 was \$203,645.

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2015 was \$620,000.

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, 2015, was \$2,057,659.

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, 2015, was \$430,000.

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, 2015 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, 2015 was \$1,041,858.

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, 2015 was \$610,264.

Current Balance	\$	78,564
Non-Current Balance		9,974,377
Total	\$	<u>10,052,941</u>

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016 were \$103,039 and \$102,757, respectively. Total payroll expense for the Authority was \$2,187,787.

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, 2016**

Note 20 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to June 30, 2016, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2016. Management has performed their analysis through February 7, 2017, the date the financial statements were issued. The Authority has not evaluated events occurring after February 7, 2017, in these financial statements.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF JOLIET
STATEMENT OF PROGRAM NET POSITION
JUNE 30, 2016

EXHIBIT D

	Low-Rent Public Housing COCC	Housing Choice Voucher	Other Programs	Blended Component Unit	Eliminations	Discretely Presented Component Units LME	Briggs	2016 TOTAL
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 2,465,028	\$ 109,414	\$ 421	\$ 277,288	\$ -	\$ 823,356	\$ 1,003,300	\$ 4,678,807
Accounts Receivable, net	1,120,482	190,166	298,233	494,983	(642,189)	38,153	7,380	1,507,208
Prepaid Expenses	88,655	2,435		8,912		8,206	52,020	160,228
Material Inventories, net	207,938							207,938
Total Current Assets	3,882,103	302,015	298,654	781,183	(642,189)	869,715	1,062,700	6,554,181
NON CURRENT ASSETS								
Other Assets				908,467		375,355	185,613	1,469,435
Notes Receivable - Long Term	3,663,063							3,663,063
Capital Assets, net	20,689,475	6,635		438,567		6,980,904	12,833,192	40,948,773
Total Non-Current Assets	24,352,538	6,635	-	1,347,034	-	7,356,259	13,018,805	46,081,271
TOTAL ASSETS	\$ 28,234,641	\$ 308,650	\$ 298,654	\$ 2,128,217	\$ (642,189)	\$ 8,225,974	\$ 14,081,505	\$ 52,635,452
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
Accounts Payable	\$ 735,198	\$ 3,449	\$ 234,420	\$ 5,970	\$ (642,189)	\$ 34,880	\$ 89,076	\$ 460,804
Accrued Liabilities	994,004	6,470	127	7,508		9,945	123,317	1,141,371
Accrued Comp. Abs. - Current	44,066	6,586						50,652
Deferred Inflow - Current	496,591		13,277			15,444	23,278	548,590
Notes and Bonds - Current	331,820					16,233	62,331	410,384
Total Current Liabilities	2,601,679	16,505	247,824	13,478	(642,189)	76,502	298,002	2,611,801
NONCURRENT LIABILITIES								
Escrow Deposits		68,685						68,685
Accr. Comp. Abs. - Non-Current	239,005	35,724						274,729
Deferred Inflow - Long-Term				908,467		344,826	908,467	2,161,760
Notes and Bonds - Long-Term	3,630,878					4,416,019	5,558,358	13,605,255
Total Noncurrent Liabilities	3,869,883	104,409	-	908,467	-	4,760,845	6,466,825	16,110,429
Total Liabilities	6,471,562	120,914	247,824	921,945	(642,189)	4,837,347	6,764,827	18,722,230
NET POSITION								
Unrestricted Net Position	5,036,300	121,706	50,830	748,871	-	260,843	(669,321)	5,549,229
Restricted Net Position		59,395		18,834		579,132	773,496	1,430,857
Net Investment in Capital Assets	16,726,779	6,635	-	438,567	-	2,548,652	7,212,503	26,933,136
Total Net Position	21,763,079	187,736	50,830	1,206,272	-	3,388,627	7,316,678	33,913,222
TOTAL LIABILITIES AND NET POSITION	\$ 28,234,641	\$ 308,650	\$ 298,654	\$ 2,128,217	\$ (642,189)	\$ 8,225,974	\$ 14,081,505	\$ 52,635,452

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, 2016

EXHIBIT E

	Low-Rent Public Housing COCC	Housing Choice Voucher	Other Programs	Blended Component Unit	Eliminations	Discretely Presented Component Units		2016 TOTAL
						LME	Briggs	
OPERATING REVENUES								
Tenant Charges	\$ 2,461,632	\$	\$	\$ 26,707	\$	\$ 435,882	\$ 698,667	\$ 3,622,888
HUD Operating Grants	5,116,020	15,004,819	87,993					20,208,832
Other Income	1,772,396	2,288,327	280,170	50,334	(1,560,942)	2,909	19,689	2,852,883
TOTAL REVENUES	9,350,048	17,293,146	368,163	77,041	(1,560,942)	438,791	718,356	26,684,603
OPERATING EXPENSES								
Administrative Expenses	3,812,727	970,768	25,277	3,702	(1,560,942)	80,434	111,994	3,443,960
Tenant Services	774,669	7,598	87,993					870,260
Utilities Expenses	986,827	6,012	43	989		2,242	6,667	1,002,780
Ordinary Maintenance	2,079,307	6,365	4	3,058		102,496	132,689	2,323,919
Protective Services	208,582	4,889				1,239		214,710
Insurance Expenses	506,586	58,350	145	3,216		38,814	61,928	669,039
General Expenses	194,567	49,674		185,696		47,835	98,714	576,486
Housing Assistance Payments		16,810,251	254,700					17,064,951
Depreciation Expense	1,617,992	3,792		31,497		260,399	487,973	2,401,653
TOTAL OPERATING EXPENSES	10,181,257	17,917,699	368,162	228,158	(1,560,942)	533,459	899,965	28,567,758
OPERATING INCOME (LOSS)	(831,209)	(624,553)	1	(151,117)	-	(94,668)	(181,609)	(1,883,155)
NON-OPERATING REVENUES AND (EXPENSES)								
Interest Income	64,071	225	3			14	55	64,368
Interest Expense	(187,764)					(202,655)	(276,796)	(667,215)
Total Non-Op. Income/(Loss)	(123,693)	225	3	-	-	(202,641)	(276,741)	(602,847)
CAPITAL CONTRIBUTIONS AND (LOSSES)								
HUD Capital Grants	1,590,265							1,590,265
CHANGES IN NET POSITION	635,363	(624,328)	4	(151,117)	-	(297,309)	(458,350)	(895,737)
BEGINNING NET POSITION	21,127,716	958,930	50,826	1,357,389		3,685,936	7,775,028	34,955,825
PRIOR PERIOD ADJUSTMENT		(146,866)						(146,866)
ENDING NET POSITION	\$ 21,763,079	\$ 187,736	\$ 50,830	\$ 1,206,272	\$ -	\$ 3,388,627	\$ 7,316,678	\$ 33,913,222

See Accompanying Notes to the Financial Statements

HOUSING AUTHORITY OF JOLIET
SCHEDULE EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 3,766,395	\$ 5,124,397
Public Housing Capital Fund	14.872	<u>2,939,890</u>	<u>2,939,890</u>
Total Low-Income Rental Housing Programs		6,706,285	8,064,287
<u>Housing Choice Voucher Cluster</u>			
Section 8 Housing Choice Voucher Program	14.871	<u>17,174,807</u>	<u>17,985,692</u>
Total Major Federal Program		23,881,092	26,049,979
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	67,993	67,993
Resident Opportunity and Self Sufficiency	14.870	<u>20,000</u>	<u>20,000</u>
Total Non-Major Federal Program		87,993	87,993
Total All Programs		<u>\$ 23,969,085</u>	<u>\$ 26,137,972</u>

**HOUSING AUTHORITY OF JOLIET
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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, 2016, 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, 2016.

Note 4 - Loans Outstanding

There were no federal loans outstanding for the year ended June 30, 2016.

Note 5 - Non-Cash Assistance

The Authority provided no non-cash assistance for the year ended June 30, 2016.

Note 6 - Insurance

The Authority had no federal insurance for the year ended June 30, 2016.

**HOUSING AUTHORITY OF JOLIET
STATEMENT OF CAPITAL FUND PROGRAM COST COMPLETED
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT G

ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IL06RO2450 - 112, 113 and IL06PO2450 - 113, 114
--

	RO - 112	RO - 113	PO - 113	PO - 114	Total
Funds Approved	\$ 164,180	\$ 184,701	\$ 1,266,752	\$ 1,681,054	\$ 3,296,687
Funds Expended	<u>164,180</u>	<u>184,701</u>	<u>1,266,752</u>	<u>1,681,054</u>	<u>3,296,687</u>
Excess\ (Deficit) of Funds Approved	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Funds Advanced	\$ 164,180	\$ 184,701	\$ 1,266,752	\$ 1,681,054	\$ 3,296,687
Funds Expended	<u>164,180</u>	<u>184,701</u>	<u>1,266,752</u>	<u>1,681,054</u>	<u>3,296,687</u>
Excess\ (Deficit) of Funds Advanced	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</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, 2016 EXHIBIT H

FAMILY SELF SUFFICIENCY PROGRAM IL024FSH206A014

Funds Approved	\$	63,365
Funds Expended		<u>63,365</u>
Excess\ (Deficit) of Funds Approved	\$	<u>-</u>
 Funds Advanced	 \$	 63,365
Funds Expended		<u>63,365</u>
Excess\ (Deficit) of Funds Advanced	\$	<u><u>-</u></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 December 28, 2015 in 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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

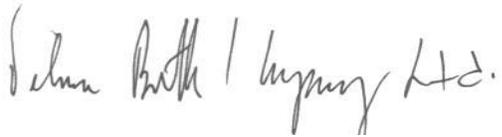
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not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

February 7, 2017

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, 2016. 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, 2016.

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.

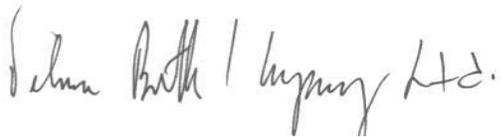
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, 2016, and have issued our report thereon dated February 7, 2017, 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

February 7, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COST

**THE HOUSING AUTHORITY OF JOLIET
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016**

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

**THE HOUSING AUTHORITY OF JOLIET
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2016**

Section IV - Financial Statement Findings

There were no reportable findings for the fiscal year ended June 30, 2015.

Section V - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended June 30, 2015.

**THE HOUSING AUTHORITY OF JOLIET
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016**

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.