

**WILL COUNTY METROPOLITAN EXPOSITION AND
AUDITORIUM AUTHORITY
JOLIET, ILLINOIS
(A MUNICIPAL CORPORATION)**

**COMPONENT UNIT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Will County Metropolitan Exposition and Auditorium Authority (Authority), a component unit of the City of Joliet, as of and for the years ended June 30, 2017 and 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 3 through 9 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of insurance data and schedule of organization data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of insurance data and schedule of organization data have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Werner, Rogan, Durant & Arzon, L.L.C.

June 20, 2018

REQUIRED SUPPLEMENTARY INFORMATION

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion and Analysis For the Years Ended June 30, 2017 and 2016

Our discussion and analysis of the Will County Metropolitan Exposition and Auditorium Authority's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the Authority's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The Authority's net position decreased by \$107 thousand, or 2 percent, as a result of this year's operations. The net positions of our governmental activities and business-type activities decreased by approximately 2 percent each.

During the year, the Authority's governmental activities had revenues of \$402 thousand as compared to revenues of \$366 thousand in the prior year. This represented an increase in revenues of \$36 thousand or 10 percent. The Authority's governmental activities had expenditures of \$65 thousand for the current year as compared to expenditures of \$127 thousand for the prior year.

In the Authority's business-type activities, revenues decreased from \$4.5 million to \$2.4 million or 46 percent while expenses decreased from \$5.1 million to \$2.8 million or 45 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position (on pages 10 through 13) and the Statement of Activities (on pages 14 through 17) provide information about the activities of the Authority as a whole and present a long-term view of the Authority's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most significant funds.

The Statement of Net Position and the Statement of Activities

Our analysis of the Authority as a whole begins on page 4. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position (the difference between assets and liabilities) as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's revenue base and the condition of the Authority's buildings, to assess the overall health of the Authority.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion and Analysis For the Years Ended June 30, 2017 and 2016

In the Statement of Net Position and the Statement of Activities, we divide the Authority into two kinds of activities:

- 1) **Governmental Activities** – Most of the Authority's basic services are reported here, including general administrative, development and sustaining, capital campaign and endowment and fundraising. Grants and contributions finance most of these activities.
- 2) **Business - Type Activities** – The Authority charges fees to patrons to help it cover all or most of the costs of certain services it provides. The Authority's operations of the Rialto Square Theatre, the Rialto Office Complex, and Two Rialto Square are reported here.

Reporting the Authority's Most Significant Funds

Fund Financial Statements

Our analysis of the Authority's major funds begins on page 8. The fund financial statements begin on page 18 and provide detailed information about the most significant funds – not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. However, the Authority's Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money. The Authority's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental Funds – Most of the Authority's administration and management services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources than can be spent in the near future to finance the Authority's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation to the right of the fund financial statements.

Proprietary Funds – When the Authority charges patrons and tenants for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Authority's enterprise fund (a proprietary fund) is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE AUTHORITY AS A WHOLE

The Authority's combined net position decreased by about 2 percent – from \$5.5 million to \$5.4 million. Business-type and governmental activities decreased by approximately 2 percent each. The decrease in business-type activities can be attributed to the decrease in support from the City of Joliet. The decrease in governmental-type activities is mostly attributable to transfers to support business-type activities. Our analysis beginning on the following page focuses on the net position (Table 1) and changes in net position (Table 2) of the Authority's governmental and business-type activities:

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion and Analysis For the Years Ended June 30, 2017 and 2016

Table 1 - Condensed Statements of Net Position, June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 1,373,933	\$ 1,426,054	\$ 252,314	\$ 166,469	\$ 1,626,247	\$ 1,592,523
Capital Assets (Net)	-	-	7,130,867	7,513,550	7,130,867	7,513,550
Total Assets	<u>1,373,933</u>	<u>1,426,054</u>	<u>7,383,181</u>	<u>7,680,019</u>	<u>8,757,114</u>	<u>9,106,073</u>
Long-Term Liabilities	-	-	2,357,537	2,428,352	2,357,537	2,428,352
Other Liabilities	<u>86,466</u>	<u>112,946</u>	<u>959,421</u>	<u>1,104,089</u>	<u>1,045,887</u>	<u>1,217,035</u>
Total Liabilities	<u>86,466</u>	<u>112,946</u>	<u>3,316,958</u>	<u>3,532,441</u>	<u>3,403,424</u>	<u>3,645,387</u>
Net Position						
Net Investment in Capital Assets	-	-	4,773,330	5,086,882	4,773,330	5,086,882
Restricted for Endowments	1,015,184	1,008,173	-	-	1,015,184	1,008,173
Unrestricted	<u>272,283</u>	<u>304,935</u>	<u>(707,107)</u>	<u>(939,304)</u>	<u>(434,824)</u>	<u>(634,369)</u>
Total Net Position	<u>\$ 1,287,467</u>	<u>\$ 1,313,108</u>	<u>\$ 4,066,223</u>	<u>\$ 4,147,578</u>	<u>\$ 5,353,690</u>	<u>\$ 5,460,686</u>

The net position of the Authority's governmental activities decreased by \$26 thousand. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by \$33 thousand. This decrease is mainly attributable to transfers to support business-type activities.

The net position of the Authority's business-type activities decreased by \$81 thousand or 2 percent. The unrestricted net position remains in a deficit position. The deficit decreased by \$232 thousand. The Authority generally can use the unrestricted portion of net position (if any) to finance the continuing operations of the Rialto Square Theatre, the Rialto Office Complex, and Two Rialto Square.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion and Analysis For the Years Ended June 30, 2017 and 2016

Table 2 Condensed Statements of Changes in Net Position, Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 1,838,228	\$ 3,748,092	\$ 1,838,228	\$ 3,748,092
Operating Grants and Contributions	326,341	331,074	557,042	922,773	883,383	1,253,847
General Revenues:						
Loss on Disposal of Fixed Assets	-	-	-	(206,511)	-	(206,511)
Interest and Investment Earnings	69,073	28,785	221	209	69,294	28,994
Total Revenues	<u>395,414</u>	<u>359,859</u>	<u>2,395,491</u>	<u>4,464,563</u>	<u>2,790,905</u>	<u>4,824,422</u>
Program Expenses						
General Administration	13,215	32,091	-	-	13,215	32,091
Development and Sustaining	4,773	4,514	-	-	4,773	4,514
Fundraising	47,387	89,957	-	-	47,387	89,957
Capital Campaign and Endowment	8	39	-	-	8	39
Business-Type Activities	-	-	2,838,816	5,131,696	2,838,816	5,131,696
Total Expenses	<u>65,383</u>	<u>126,601</u>	<u>2,838,816</u>	<u>5,131,696</u>	<u>2,904,199</u>	<u>5,258,297</u>
Excess Revenues Over						
Expenses Before Contributions to						
Permanent Funds and Transfers	330,031	233,258	(443,325)	(667,133)	(113,294)	(433,875)
Contributions to Permanent Funds	6,298	5,823	-	-	6,298	5,823
Transfers	(361,970)	(240,590)	361,970	240,590	-	-
Change in Net Position	(25,641)	(1,509)	(81,355)	(426,543)	(106,996)	(428,052)
Net Position Beginning	<u>1,313,108</u>	<u>1,314,617</u>	<u>4,147,578</u>	<u>4,574,121</u>	<u>5,460,686</u>	<u>5,888,738</u>
Net Position Ending	<u>\$ 1,287,467</u>	<u>\$ 1,313,108</u>	<u>\$ 4,066,223</u>	<u>\$ 4,147,578</u>	<u>\$ 5,353,690</u>	<u>\$ 5,460,686</u>

The Authority's total revenues decreased by \$2 million or 42 percent. The total costs of all programs and services decreased by \$2.4 million or 45 percent. Our analysis that follows separately considers the operations of governmental and business-type activities.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion and Analysis For the Years Ended June 30, 2017 and 2016

Governmental Activities

Revenues for the Authority's governmental activities increased by \$36 thousand or 10 percent while total expenditures decreased by \$61 thousand or 48 percent.

Table 3 presents the cost of each of the Authority's four governmental activity categories – general administration, development and sustaining, capital campaign and endowment and fundraising, – as well as each category's *net* cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Authority by each of these functions.

The general administrative category includes professional fees, office expenses, trust fees, newspaper publications, and other miscellaneous expenses. Development and sustaining includes development expenses and sustaining fund expenses. Capital campaign and endowment includes all expenses related to the capital campaign and endowment acquisition. Fundraising includes all fundraising expenses.

Table 3 Governmental Activities, Years Ended June 30,

	Total Cost of Services		Net Cost of (Surplus from) Services	
	2017	2016	2017	2016
General Administrative	\$ 13,215	\$ 32,091	(\$ 145,103)	(\$ 64,306)
Development and Sustaining	4,773	4,514	(51,904)	(47,889)
Capital Campaign and Endowment	8	39	(3,527)	(1,129)
Fundraising	47,387	89,957	(60,424)	(91,149)
Totals	\$ 65,383	\$ 126,601	(\$ 260,958)	(\$ 204,473)

Business-Type Activities

Revenues of the Authority's business-type activities (see Table 2) decreased by \$2.1 million or 46 percent while expenses decreased by \$2.3 million or 45 percent. The Authority's business-type activities are comprised of three separate and distinct activities: these activities are Rialto Square Theatre, Rialto Office Complex, and Two Rialto Square. In an attempt to simplify its financial reporting system, the Authority condensed the accounting system for these activities to report them in the aggregate.

The revenue decrease is mostly attributable to theatre related revenue which decreased from \$3.0 million to \$1.0 million. The expense decrease is mostly attributable to production expenses which decreased from \$1.0 million to \$321 thousand.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion and Analysis
For the Years Ended June 30, 2017 and 2016

THE AUTHORITY'S FUNDS

As the Authority completed the year, its governmental funds (as presented in the balance sheet on pages 18-21) reported a *combined* fund balance of \$1.3 million, which is comparable to last year. The Authority's governmental funds experienced a decrease of \$565 thousand in their cash and investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017 and 2016, the Authority had \$7.1 million and \$7.5 million invested in a broad range of capital assets, including land, buildings, building improvements, and furniture and equipment. (See Table 4 below.)

Table 4 Capital Assets at Year End (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ -	\$ -	\$ 580,737	\$ 580,737	\$ 580,737	\$ 580,737
Buildings	-	-	3,030,733	3,072,094	3,030,733	3,072,094
Building Improvements	-	-	3,168,418	3,456,591	3,168,418	3,456,591
Furniture and Equipment	-	-	334,614	387,763	334,614	387,763
Construction in Progress	-	-	16,365	16,365	16,365	16,365
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,130,867</u>	<u>\$ 7,513,550</u>	<u>\$ 7,130,867</u>	<u>\$ 7,513,550</u>

This year's major additions included the following:

Marquee Repair Project	\$ 61,643
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More detailed information about the Authority's capital assets is presented in Note 6 to the financial statements.

Debt Administration

At June 30, 2017 and 2016, the Authority had \$2,357,537 and \$2,428,352 in debt outstanding. Outstanding debt at year end was as follows:

	<u>2017</u>	<u>2016</u>
Promissory Note, Dated December 28, 2011	\$ 2,356,197	\$ 2,422,455
Phone Equipment Lease, Dated November 2, 2012	1,340	4,213
Promissory Note, Dated September 9, 2013	-	1,684
	<u>\$ 2,357,537</u>	<u>\$ 2,428,352</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion and Analysis For the Years Ended June 30, 2017 and 2016

The promissory note, dated December 28, 2011, was established for the University of Saint Francis build-out as well as the Lambrecht hospitality suite renovations. The promissory note, dated September 9, 2013, was established for administrative and box office computers. More detailed information about the Authority's long-term debt is presented in Notes 13 and 14 to the financial statements.

ECONOMIC FACTORS

The Authority's business-type activities have operated at a loss in previous years. Subsidies received in the form of grants from the City of Joliet offset a substantial portion of these losses. The City of Joliet appropriates support to the Authority on a year-to-year basis with no commitments extending beyond the current year. The Authority therefore continues to remain economically dependent on the City of Joliet.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority's administrative office, 15 East Van Buren Street, Joliet, Illinois 60432.

Component Unit

Rialto Square Theatre Foundation

Separate financial statements may be obtained at the Authority's administrative office, 15 East Van Buren Street, Joliet, Illinois 60432.

BASIC FINANCIAL STATEMENTS

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Net Position June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 261,730	\$ 563,966	\$ 825,696
Investments	56,212	-	56,212
Accounts Receivable	-	205,808	205,808
Pledges Receivable - Current	6,050	-	6,050
Accrued Interest Receivable	4	-	4
Prepaid Expenses	-	93,238	93,238
Grant Advance	9,456	-	9,456
Internal Balances	635,578	(635,578)	-
Inventory	10,032	24,880	34,912
	<u>979,062</u>	<u>252,314</u>	<u>1,231,376</u>
Total Current Assets			
Noncurrent Assets			
Restricted Assets			
Cash	27,621	-	27,621
Investments	365,750	-	365,750
Pledges Receivable - Non Current	1,500	-	1,500
Capital Assets (Net)			
Land	-	580,737	580,737
Buildings	-	3,030,733	3,030,733
Building Improvements	-	3,168,418	3,168,418
Furniture and Equipment	-	334,614	334,614
Construction in Progress	-	16,365	16,365
	<u>394,871</u>	<u>7,130,867</u>	<u>7,525,738</u>
Total Noncurrent Assets			
Total Assets	<u>\$ 1,373,933</u>	<u>\$ 7,383,181</u>	<u>\$ 8,757,114</u>

See Accompanying Notes to Basic Financial Statements.

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ -	\$ 212,058	\$ 212,058
Accrued Payroll and Benefits	-	10,798	10,798
Long-Term Obligations, Due Within One Year			
Notes Payable	-	67,001	67,001
Capital Lease Payable	-	1,340	1,340
Due to Bondholders	-	62,713	62,713
Unearned Revenue	98	617,541	617,639
Due to Volunteers	86,368	-	86,368
Other	-	56,311	56,311
Total Current Liabilities	86,466	1,027,762	1,114,228
Noncurrent Liabilities			
Long-Term Obligations, Due in More Than One Year			
Notes Payable	-	2,289,196	2,289,196
Total Liabilities	86,466	3,316,958	3,403,424
NET POSITION			
Net Investment in Capital Assets	-	4,773,330	4,773,330
Restricted for Endowments	1,015,184	-	1,015,184
Unrestricted	272,283	(707,107)	(434,824)
Total Net Position	1,287,467	4,066,223	5,353,690
Total Liabilities and Net Position	\$ 1,373,933	\$ 7,383,181	\$ 8,757,114

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Net Position June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 254,209	\$ 101,534	\$ 355,743
Investments	36,285	-	36,285
Accounts Receivable	-	36,013	36,013
Pledges Receivable - Current	8,200	-	8,200
Accrued Interest Receivable	4	-	4
Accounts Receivable Other	-	22,969	22,969
Prepaid Expenses	-	105,248	105,248
Grant Advance	9,456	-	9,456
Internal Balances	122,604	(122,604)	-
Inventory	9,363	23,309	32,672
	<u>440,121</u>	<u>166,469</u>	<u>606,590</u>
Total Current Assets			
	<u>440,121</u>	<u>166,469</u>	<u>606,590</u>
Noncurrent Assets			
Restricted Assets			
Cash	27,621	-	27,621
Investments	958,312	-	958,312
Capital Assets (Net)			
Land	-	580,737	580,737
Buildings	-	3,072,094	3,072,094
Building Improvements	-	3,456,591	3,456,591
Furniture and Equipment	-	387,763	387,763
Construction In Progress	-	16,365	16,365
	<u>985,933</u>	<u>7,513,550</u>	<u>8,499,483</u>
Total Noncurrent Assets			
	<u>985,933</u>	<u>7,513,550</u>	<u>8,499,483</u>
Total Assets	<u>\$ 1,426,054</u>	<u>\$ 7,680,019</u>	<u>\$ 9,106,073</u>

See Accompanying Notes to Basic Financial Statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ -	\$ 569,789	\$ 569,789
Accrued Payroll and Benefits	-	157,772	157,772
Long-Term Obligations, Due Within One Year			
Notes Payable	-	2,424,139	2,424,139
Capital Lease Payable	-	2,873	2,873
Due to Bondholders	-	62,713	62,713
Unearned Revenue	2,098	221,483	223,581
Due to Volunteers	110,848	-	110,848
Other	-	92,332	92,332
Total Current Liabilities	<u>112,946</u>	<u>3,531,101</u>	<u>3,644,047</u>
Noncurrent Liabilities			
Long-Term Obligations, Due in More Than One Year			
Capital Lease Payable	-	1,340	1,340
Total Liabilities	<u>112,946</u>	<u>3,532,441</u>	<u>3,645,387</u>
NET POSITION			
Net Investment in Capital Assets	-	5,086,882	5,086,882
Restricted for Endowments	1,008,173	-	1,008,173
Unrestricted	304,935	(939,304)	(634,369)
Total Net Position	<u>1,313,108</u>	<u>4,147,578</u>	<u>5,460,686</u>
Total Liabilities and Net Position	<u>\$ 1,426,054</u>	<u>\$ 7,680,019</u>	<u>\$ 9,106,073</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Activities For the Year Ended June 30, 2017

Functions / Programs	<u>Expenses</u>	<u>Program Charges for Services</u>
Governmental Activities:		
General Administration	\$ 13,215	\$ -
Development and Sustaining	4,773	-
Capital Campaign and Endowment	8	-
Fundraising	<u>47,387</u>	<u>-</u>
Total Governmental Activities	<u>65,383</u>	<u>-</u>
Business-Type Activities	<u>2,838,816</u>	<u>1,838,228</u>
Total	<u>\$ 2,904,199</u>	<u>\$ 1,838,228</u>

See Accompanying Notes to Basic Financial Statements.

Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 158,318	\$ -	\$ 145,103	\$ -	\$ 145,103
56,677	-	51,904	-	51,904
3,535	-	3,527	-	3,527
107,811	-	60,424	-	60,424
326,341	-	260,958	-	260,958
557,042	-	-	(443,546)	(443,546)
\$ 883,383	\$ -	260,958	(443,546)	(182,588)
General Revenues:				
Interest and Investment Earnings		69,073	221	69,294
Contributions to Permanent Funds		6,298	-	6,298
Transfers		(361,970)	361,970	-
Total General Revenues and Transfers		(286,599)	362,191	75,592
Change in Net Position		(25,641)	(81,355)	(106,996)
Net Position - Beginning		1,313,108	4,147,578	5,460,686
Net Position - Ending		\$ 1,287,467	\$ 4,066,223	\$ 5,353,690

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Activities For the Year Ended June 30, 2016

Functions / Programs	<u>Expenses</u>	<u>Program Charges for Services</u>
Governmental Activities:		
General Administration	\$ 32,091	\$ -
Development and Sustaining	4,514	-
Capital Campaign and Endowment	39	-
Fundraising	<u>89,957</u>	<u>-</u>
Total Governmental Activities	<u>126,601</u>	<u>-</u>
Business-Type Activities	<u>5,131,696</u>	<u>3,748,092</u>
Total	<u>\$ 5,258,297</u>	<u>\$ 3,748,092</u>

See Accompanying Notes to Basic Financial Statements.

Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 96,397	\$ -	\$ 64,306	\$ -	\$ 64,306
52,403	-	47,889	-	47,889
1,168	-	1,129	-	1,129
181,106	-	91,149	-	91,149
331,074	-	204,473	-	204,473
922,773	-	-	(460,831)	(460,831)
<u>\$ 1,253,847</u>	<u>\$ -</u>	<u>204,473</u>	<u>(460,831)</u>	<u>(256,358)</u>
General Revenues:				
Interest and Investment Earnings		28,785	209	28,994
Loss on Disposal of Fixed Assets		-	(206,511)	(206,511)
Contributions to Permanent Funds		5,823	-	5,823
Transfers		(240,590)	240,590	-
Total General Revenues and Transfers		(205,982)	34,288	(171,694)
Change in Net Position		(1,509)	(426,543)	(428,052)
Net Position - Beginning		1,314,617	4,574,121	5,888,738
Net Position - Ending		<u>\$ 1,313,108</u>	<u>\$ 4,147,578</u>	<u>\$ 5,460,686</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Governmental Funds
Balance Sheet
June 30, 2017

	<u>General Fund</u>	<u>Endowment Fund</u>
ASSETS		
Cash	\$ 191,525	\$ 97,826
Investments	-	421,962
Pledges Receivable	5,750	1,800
Accrued Interest Receivable	-	4
Grant Advance	9,456	-
Internal Receivables	1,001,722	706,371
Inventory	<u>10,032</u>	<u>-</u>
Total Assets	<u>\$ 1,218,485</u>	<u>\$ 1,227,963</u>
LIABILITIES		
Unearned Revenue	\$ -	\$ 98
Internal Payables	980,268	92,247
Due to Volunteers	<u>86,368</u>	<u>-</u>
Total Liabilities	<u>1,066,636</u>	<u>92,345</u>
FUND BALANCES		
Nonspendable:		
Endowments	-	1,015,184
Inventory	10,032	-
Assigned to:		
General Fund for Future Operations	201,417	-
Endowment Purposes	-	120,434
Unassigned	<u>(59,600)</u>	<u>-</u>
Total Fund Balance	<u>151,849</u>	<u>1,135,618</u>
Total Liabilities and Fund Balance	<u>\$ 1,218,485</u>	<u>\$ 1,227,963</u>

See Accompanying Notes to Basic Financial Statements.

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2017

Total Governmental Funds		
\$ 289,351	Total Fund Balance - Governmental Funds	\$ 1,287,467
421,962		
7,550	<i>Amounts reported for governmental activities in the</i>	
4	<i>Statement of Net Position are currently the same as</i>	
9,456	<i>amounts reported in this statement.</i>	-
1,708,093		
10,032	Net Position of Governmental Activities	\$ 1,287,467
<u>\$ 2,446,448</u>		
\$ 98		
1,072,515		
86,368		
<u>1,158,981</u>		
1,015,184		
10,032		
201,417		
120,434		
(59,600)		
<u>1,287,467</u>		
<u>\$ 2,446,448</u>		

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Governmental Funds Balance Sheet June 30, 2016

	<u>General Fund</u>	<u>Endowment Fund</u>
ASSETS		
Cash	\$ 193,029	\$ 88,801
Investments	-	994,597
Pledges Receivable	-	8,200
Accrued Interest Receivable	-	4
Grant Advance	9,456	-
Internal Receivables	422,374	100,073
Inventory	<u>9,363</u>	<u>-</u>
Total Assets	<u>\$ 634,222</u>	<u>\$ 1,191,675</u>
LIABILITIES		
Unearned Revenue	\$ 2,000	\$ 98
Internal Payables	307,604	92,239
Due to Volunteers	<u>110,848</u>	<u>-</u>
Total Liabilities	<u>420,452</u>	<u>92,337</u>
FUND BALANCES		
Nonspendable:		
Endowments	-	1,008,173
Inventory	9,363	-
Assigned to:		
General Fund for Future Operations	201,417	-
Endowment Purposes	-	91,165
Unassigned	<u>2,990</u>	<u>-</u>
Total Fund Balance	<u>213,770</u>	<u>1,099,338</u>
Total Liabilities and Fund Balance	<u>\$ 634,222</u>	<u>\$ 1,191,675</u>

See Accompanying Notes to Basic Financial Statements.

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2016

Total Governmental Funds		
\$ 281,830	Total Fund Balance - Governmental Funds	\$ 1,313,108
994,597		
8,200	<i>Amounts reported for governmental activities in the</i>	
4	<i>Statement of Net Position are currently the same as</i>	
9,456	<i>amounts reported in this statement.</i>	
522,447		
9,363	Net Position of Governmental Activities	<u>\$ 1,313,108</u>
<u>\$ 1,825,897</u>		
\$ 2,098		
399,843		
110,848		
<u>512,789</u>		
1,008,173		
9,363		
201,417		
91,165		
2,990		
<u>1,313,108</u>		
<u>\$ 1,825,897</u>		

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Endowment Fund</u>
Revenue		
Fundraising	\$ 107,811	\$ -
Sustaining Fund	56,677	-
Donations	119,018	-
Endowment Donations	-	2,535
Sponsorship Donations	40,300	-
Preservation Dues	-	6,298
Dividends	3,919	3,954
Other Investment Income	1,821	10,118
Interest	29	89
Unrealized Gain/(Loss) on Investments	(2,262)	51,405
Total Revenue	<u>327,313</u>	<u>74,399</u>
Expenditures		
Fundraising	45,568	1,819
Office Supplies	3,267	8
Development Expenditures	111	-
Sustaining Fund Expenditures	4,662	-
Miscellaneous	3,367	-
Trust Fees	289	6,292
Total Expenditures	<u>57,264</u>	<u>8,119</u>
Excess of Revenue Over Expenditures	<u>270,049</u>	<u>66,280</u>
Other Financing (Uses)		
Transfers In	30,000	-
Transfers Out	(361,970)	(30,000)
Total Other Financing (Uses)	<u>(331,970)</u>	<u>(30,000)</u>
Net Change in Fund Balances	<u>(61,921)</u>	<u>36,280</u>
Fund Balances, Beginning of Year	<u>213,770</u>	<u>1,099,338</u>
Fund Balances, End of Year	<u>\$ 151,849</u>	<u>\$ 1,135,618</u>

See Accompanying Notes to Basic Financial Statements.

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Total Governmental Funds		
\$ 107,811	Net Change in Fund Balance - Governmental Funds	(\$ 25,641)
56,677		
119,018	<i>Amounts reported for governmental activities in the</i>	
2,535	<i>Statement of Activities are currently the same as</i>	
40,300	<i>amounts reported in this statement.</i>	
6,298		
7,873	Change in Net Position of Governmental Funds	(\$ 25,641)
11,939		
118		
49,143		
401,712		
47,387		
3,275		
111		
4,662		
3,367		
6,581		
65,383		
336,329		
30,000		
(391,970)		
(361,970)		
(25,641)		
1,313,108		
\$ 1,287,467		

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2016

	General Fund	Endowment Fund
Revenue		
Grants	\$ 30,671	\$ -
Fundraising	181,106	-
Sustaining Fund	52,403	-
Donations	38,226	-
Endowment Donations	-	1,168
Sponsorship Donations	27,500	-
Preservation Dues	-	5,823
Dividends	3,943	4,889
Other Investment Income	753	11,961
Interest	27	95
Unrealized Gain/(Loss) on Investments	798	6,319
Total Revenue	<u>335,427</u>	<u>30,255</u>
Expenditures		
Fundraising	89,204	753
Professional Fees	6,400	-
Office Supplies	3,690	4
Development Expenditures	134	-
Sustaining Fund Expenditures	4,380	-
Miscellaneous	13,349	35
Trust Fees	288	8,364
Total Expenditures	<u>117,445</u>	<u>9,156</u>
Excess of Revenue Over Expenditures	<u>217,982</u>	<u>21,099</u>
Other Financing (Uses)		
Transfers In	47,000	32,250
Transfers Out	(272,840)	(47,000)
Total Other Financing (Uses)	<u>(225,840)</u>	<u>(14,750)</u>
Net Change in Fund Balances	<u>(7,858)</u>	<u>6,349</u>
Fund Balances, Beginning of Year	<u>221,628</u>	<u>1,092,989</u>
Fund Balances, End of Year	<u>\$ 213,770</u>	<u>\$ 1,099,338</u>

See Accompanying Notes to Basic Financial Statements.

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Total Governmental Funds	
\$ 30,671	Net Change in Fund Balance - Governmental Funds (\$ 1,509)
181,106	<i>Amounts reported for governmental activities in the</i>
52,403	<i>Statement of Activities are currently the same as</i>
38,226	<i>amounts reported in this statement.</i>
1,168	
27,500	Change in Net Position of Governmental Funds (\$ 1,509)
5,823	
8,832	
12,714	
122	
7,117	
<u>365,682</u>	
89,957	
6,400	
3,694	
134	
4,380	
13,384	
8,652	
<u>126,601</u>	
<u>239,081</u>	
79,250	
(319,840)	
(240,590)	
(1,509)	
<u>1,314,617</u>	
<u>\$ 1,313,108</u>	

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Net Position Proprietary Fund June 30, 2017

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 563,966
Trade Receivables	205,808
Prepaid Expenses	93,238
Internal Receivables	452,591
Inventory	<u>24,880</u>
Total Current Assets	<u>1,340,483</u>
Noncurrent Assets	
Capital Assets	
Land	580,737
Buildings	16,169,772
Building Improvements	6,720,107
Furniture and Equipment	1,057,633
Construction in Progress	<u>16,365</u>
	24,544,614
Less Accumulated Depreciation	<u>17,413,747</u>
Total Capital Assets	<u>7,130,867</u>
Total Assets	<u>\$ 8,471,350</u>

See Accompanying Notes to Basic Financial Statements.

	Business-Type Activities Enterprise Fund
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 212,058
Accrued Payroll and Benefits	10,798
Long-Term Obligations, Due Within One Year	
Notes Payable	67,001
Capital Lease Payable	1,340
Due to Bondholders	62,713
Unearned Revenue	617,541
Internal Payables	1,088,169
Other	56,311
	<hr/>
Total Current Liabilities	2,115,931
	<hr/>
Noncurrent Liabilities	
Long-Term Obligations, Due in More Than One Year	
Notes Payable	2,289,196
	<hr/>
Total Liabilities	4,405,127
	<hr/>
NET POSITION	
Net Investment in Capital Assets	4,773,330
Unrestricted	(707,107)
	<hr/>
Total Net Position	4,066,223
	<hr/>
Total Liabilities and Net Position	\$ 8,471,350
	<hr/>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Net Position Proprietary Fund June 30, 2016

	<u>Business-Type Activities Enterprise Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 101,534
Trade Receivables	36,013
Accounts Receivable Other	22,969
Prepaid Expenses	105,248
Internal Receivables	386,217
Inventory	<u>23,309</u>
Total Current Assets	<u>675,290</u>
Noncurrent Assets	
Capital Assets	
Land	580,737
Buildings	16,108,129
Building Improvements	6,720,107
Furniture and Equipment	1,057,633
Construction in Progress	<u>16,365</u>
	24,482,971
Less Accumulated Depreciation	<u>16,969,421</u>
Total Capital Assets	<u>7,513,550</u>
Total Assets	<u>\$ 8,188,840</u>

See Accompanying Notes to Basic Financial Statements.

	Business-Type Activities
	Enterprise Fund
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 569,789
Accrued Payroll and Benefits	157,772
Long-Term Obligations, Due Within One Year	
Notes Payable	2,424,139
Capital Lease Payable	2,873
Due to Bondholders	62,713
Unearned Revenue	221,483
Internal Payables	508,821
Other	92,332
Total Current Liabilities	4,039,922
Noncurrent Liabilities	
Long-Term Obligations, Due in More Than One Year	
Capital Lease Payable	1,340
Total Liabilities	4,041,262
NET POSITION	
Net Investment in Capital Assets	5,086,882
Unrestricted	(939,304)
Total Net Position	4,147,578
Total Liabilities and Net Position	\$ 8,188,840

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Revenue, Expense, and Changes in Net Position Proprietary Fund For the Year Ended June 30, 2017

	Business-Type Activities
	Enterprise Fund
Operating Revenue	
Rentals and Reimbursements - Office and Commercial	\$ 688,061
Theatre Related Revenue	1,035,474
Other	114,693
Total Operating Revenue	<u>1,838,228</u>
Operating Expense	
Salaries	832,906
Benefits	116,790
Professional Services	97,598
Advertising and Promotion	36,605
Administrative	66,898
Insurance	135,151
Custodial and Maintenance	135,429
Utilities	181,819
Artists Fees	87,786
House Expense	250,772
Production Expense	321,314
Depreciation	444,326
Total Operating Expense	<u>2,707,394</u>
Operating (Loss)	(869,166)
Nonoperating Revenue (Expense)	
Bad Debt Expense	(90)
Interest Income	221
Interest Expense	(131,332)
Support from City of Joliet	520,400
In-Kind Contributions	36,642
Total Nonoperating Revenue (Expense)	<u>425,841</u>
Net Income (Loss) Before Transfers	(443,325)
Transfers	
Transfers In	<u>361,970</u>
Change in Net Position	(81,355)
Total Net Position, Beginning of Year	<u>4,147,578</u>
Total Net Position, End of Year	<u>\$ 4,066,223</u>

See Accompanying Notes to Basic Financial Statements.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Revenue, Expense, and Changes in Net Position Proprietary Fund For the Year Ended June 30, 2016

	Business-Type Activities
	Enterprise Fund
Operating Revenue	
Rentals and Reimbursements - Office and Commercial	\$ 702,867
Theatre Related Revenue	3,003,197
Other	42,028
Total Operating Revenue	<u>3,748,092</u>
Operating Expense	
Salaries	1,291,220
Benefits	266,124
Professional Services	25,200
Advertising and Promotion	355,493
Administrative	55,315
Insurance	148,131
Real Estate Expense	1,240
Custodial and Maintenance	165,807
Utilities	303,815
Artists Fees	654,411
House Expense	255,282
Production Expense	1,031,153
Depreciation	440,249
Total Operating Expense	<u>4,993,440</u>
Operating (Loss)	(1,245,348)
Nonoperating Revenue (Expense)	
Bad Debt Expense	(23,510)
Interest Income	209
Interest Expense	(114,746)
Support from City of Joliet	877,389
In-Kind Contributions	45,384
Loss on Disposal of Capital Assets	(206,511)
Total Nonoperating Revenue (Expense)	<u>578,215</u>
Net Income (Loss) Before Transfers	(667,133)
Transfers	
Transfers In	272,840
Transfers Out	(32,250)
Change in Net Position	(426,543)
Total Net Position, Beginning of Year	<u>4,574,121</u>
Total Net Position, End of Year	<u>\$ 4,147,578</u>

See Accompanying Notes to Basic Financial Statements.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2017

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers and Donors	\$ 2,087,370
Cash Paid to Suppliers for Goods and Services	(1,660,043)
Cash Payments for Employees Services	(1,096,670)
Net Cash (Used in) Operating Activities	(669,343)
Cash Flows from Investing Activities	
Interest Received on Investments	221
Cash Flows from Noncapital Financing Activities	
Support from the City of Joliet	520,400
Payments from Other Funds	874,944
Net Cash Provided by Noncapital Financing Activities	1,395,344
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(61,647)
Payments of Long-Term Debt	(70,815)
Payments of Interest	(131,332)
Net Cash (Used in) Capital and Related Financing Activities	(263,794)
Net Increase in Cash	462,428
Cash and Cash Equivalents, Beginning of Year	101,538
Cash and Cash Equivalents, End of Year	\$ 563,966

See Accompanying Notes to Basic Financial Statements.

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities	
Operating (Loss)	(\$ 869,166)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used in) Operating Activities	
Bad Debt	(90)
Depreciation	444,326
In-Kind Contributions	36,642
Changes in Assets and Liabilities	
Trade Receivables	(169,795)
Accounts Receivable Other	22,969
Prepaid Expenses	12,010
Inventory	(1,571)
Accounts Payable and Accrued Expenses	(357,731)
Accrued Payroll and Benefits	(146,974)
Deferred Revenue	396,058
Other Payables	(36,021)
Total Adjustments	<u>199,823</u>
Net Cash (Used in) Operating Activities	(\$ <u>669,343</u>)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2016

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers and Donors	\$ 2,916,560
Cash Paid to Suppliers for Goods and Services	(2,790,481)
Cash Payments for Employees Services	(1,527,393)
Net Cash (Used in) Operating Activities	(1,401,314)
Cash Flows from Investing Activities	
Interest Received on Investments	209
Cash Flows from Noncapital Financing Activities	
Support from the City of Joliet	877,389
Payments from Other Funds	212,307
Net Cash Provided by Noncapital Financing Activities	1,089,696
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(81,262)
Payments of Long-Term Debt	(62,703)
Payments of Interest	(114,746)
Net Cash (Used in) Capital and Related Financing Activities	(258,711)
Net (Decrease) in Cash	(570,120)
Cash and Cash Equivalents, Beginning of Year	<u>671,654</u>
Cash and Cash Equivalents, End of Year	<u>\$ 101,534</u>

See Accompanying Notes to Basic Financial Statements.

	Business-Type Activities
	Enterprise Fund
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities	
Operating (Loss)	(\$ 1,245,348)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used in) Operating Activities	
Bad Debt	(23,510)
Depreciation	440,249
In-Kind Contributions	1,623
Changes in Assets and Liabilities	
Trade Receivables	12,564
Accounts Receivable Other	(7,218)
Prepaid Expenses	80,868
Inventory	3,553
Accounts Payable and Accrued Expenses	101,425
Accrued Payroll and Benefits	29,951
Deferred Revenue	(813,365)
Other Payables	17,894
Total Adjustments	(155,966)
Net Cash (Used in) Operating Activities	(\$ 1,401,314)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Introduction

The Will County Metropolitan Exposition and Auditorium Authority (the Authority) was created under Illinois Public Act 80-909. The original purpose of the Authority was to rehabilitate and restore a historic building, the Rialto Square Theatre. Duties of the Authority consisted of promoting, operating and maintaining expositions and conventions in the metropolitan area for industrial, cultural, educational, theatrical, sports, trade and scientific exhibits and to construct, equip and maintain auditoriums and exposition buildings for such purposes. In 1982, the Act was amended to allow the Authority to lease property as an owner and change the Authority name from Joliet to Will County Metropolitan Exposition and Auditorium Authority.

The accounting policies and the presentation of the basic financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Financial Reporting Entity

A component unit is included in a primary government's reporting entity if it is both fiscally dependent on the primary government and there is potential for the component unit to provide specific benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Based on the above criterion, the Will County Metropolitan Exposition and Auditorium Authority, for the year ended June 30, 2017, has met the definition of a component unit of the City of Joliet. The considerations for the Will County Metropolitan Exposition and Auditorium Authority to be a component unit of the City of Joliet are: selection of a majority of the governing board; ability to significantly influence the program, projects, activities and level of service; and financial accountability.

Blended Component Unit

The Rialto Square Theatre Foundation is a legally separate, tax exempt organization. The Foundation operates exclusively for charitable or educational purposes to support the Authority. The Authority provides the staffing to and funds various overhead costs of the Foundation. The Foundation is included as a blended component unit because the Authority has operational responsibility for them and the purpose of the Foundation is to provide a benefit to the Authority. Separate statements may be obtained from the Authority administrative office, 15 East Van Buren Street, Joliet, Illinois 60432. The Authority did not omit from the financial statements any board or agency that met any inclusion criteria.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenue and nonexchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority's funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within these two categories. Currently, all funds of the Authority are considered major funds. A fund is considered major if it is the primary operating fund of the Authority (General Fund) or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

Governmental funds are those through which most governmental functions of the Authority are financed. The Authority's expendable financial resources (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the Authority's governmental funds:

General Fund (Major Fund) - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Endowment Fund (Major Fund) - The Board of Directors of the Rialto Square Theatre Foundation established the Rialto Square Theatre Endowment Fund on January 1, 1989. The fund is to be supported through public gifts and contributions. The nonexpendable portion of this fund cannot be used or invaded for any purpose other than those specified by the donor. The expendable portion of this fund is used to account for the unrestricted earnings on the endowment fund that have not been expended or transferred to another fund.

Proprietary Funds

Proprietary funds are used to account for the Authority's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income. The Authority's proprietary fund is an enterprise fund. Enterprise funds are used to report an activity for which a fee is charged to external users for goods or services.

Enterprise Fund (Major Fund) - The Enterprise Fund provides for the operation of the Rialto Square Theatre and for the leasing of commercial property in the downtown Joliet area.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b.

In the fund financial statements, the "current financial resources" measurement or the "economic resources" measurement is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Basis of Accounting

Government-Wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Authority and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Authority.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Funds

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidelines. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Charges for services and miscellaneous revenues (except for investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Revenues from Federal and State grants and similar programs are recognized when the Authority has done everything necessary to establish its right to the revenue. Usually, this is at the time an expenditure has been incurred for an authorized purpose.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resources focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Use of Resources Policy

The Authority considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted balances are available. Committed, assigned, and unassigned fund balances are considered to have been spent in that order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Expenditures incurred for a specifically identified purpose will reduce the specifically identified classification of fund balance.

Capital Assets

Capital assets are stated on the basis of historical cost. Major capital asset additions are financed primarily from debt proceeds. Assets acquired through gifts or donations are recorded at their estimated fair value at the time of acquisition. The Authority has established a capitalization threshold of \$2,500 for buildings and improvements and \$2,500 for furniture and equipment.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund's Statement of Net Position. Depreciation has been provided over the estimated useful lives of 5 to 50 years using the straight-line method.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Budgets

State statute does not require the Authority to adopt a budget; therefore, budgetary information is not presented in the financial statements.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments of the Authority are stated at fair value (See note 2). Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Inventory

Inventory is carried at cost. Cost being determined on the first in first out basis.

Unearned Revenue

Unearned revenue at June 30, 2017 consists of theatre deposits, rotunda deposits, gift certificates, tickets on account, and ticket sales for future events.

Advertising Costs

It is the Authority's policy to include in prepaid expenses amounts spent for advertising which relate to future performances. These amounts are then expensed when the related revenue is recognized. All other advertising costs are expensed when incurred.

Fund Balance

Under GASB 54, fund balances are required to be reported using five separate classifications as listed below. The Authority may not necessarily utilize each classification in a given fiscal year.

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form, such as inventory in the General Fund or, for legal or contractual reasons, must be kept intact, such as the Endowment Fund.

Restricted Fund Balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Committed Fund Balance – Amounts that can only be used for specific purposes because of a formal action (resolution) by the Authority's highest level of decision-making authority, the Board of Directors.

Assigned Fund Balance – Amounts that are constrained by the Authority's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board of Directors. With the exception of the General Fund, assigned fund balance is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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 expenses during the period. Actual results could differ from those estimates.

2. Cash and Investments

Deposits

At June 30, 2017 and 2016, the carrying amount of the Authority's deposits was \$843,917 and \$373,464 respectively and the bank balance was \$976,567 and \$388,626 respectively. Additionally, the Authority maintained cash on hand of \$9,400 for 2017 and \$9,900 for 2016.

Custodial Credit Risk – This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2017 and 2016, all of the Authority's bank balances were insured or fully collateralized.

Concentration of Credit Risk – The Authority places no limit on the amount it may invest in any one issuer. At June 30, 2017 and 2016, the Authority held investments in eighteen and twenty one mutual funds respectively (six of which represent 5 percent or more of the total investments as depicted in the schedule on the following page).

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Authority's investment policy requires that short-term investments may only be invested in:

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

2. Cash and Investments

- 1) Certificates of deposit issued by the state and national banks, savings and loan associations, and credit unions domiciled in Joliet, IL, that are: a) guaranteed or insured by the Federal Deposit Insurance Corporation, other deposit insurance agencies, or their successors; or b) secured by the pledge of securities in the same manner as is required by the depository bank.
- 2) Obligations of the United States or its agencies and instrumentalities.
- 3) Direct obligations of the State of Illinois or its agencies.
- 4) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Illinois or the United States.
- 5) Fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described above.
- 6) Money market funds regulated by the Securities and Exchange Commission.

Investments

Investments are carried at fair value. Unrealized gains were \$49,143 and \$7,117 at June 30, 2017 and 2016 respectively. All investments are expected to be held until maturity.

	2017		2016	
	<u>Fair Value</u>	<u>% of Total Investments</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Government Money Market Funds	\$ 30,523	7.23%	\$ 13,560	1.36%
Equities	23,191	5.50%	25,403	2.55%
Mutual Funds	84,544	20.04%	170,918	17.18%
Fixed Income Mutual Funds	129,610	30.72%	175,245	17.62%
First Midwest Equity Funds	64,646	15.32%	285,376	28.69%
First Midwest Fixed Income Funds	89,448	21.20%	324,095	32.59%
Total Investments	<u>\$ 421,962</u>	<u>100.00%</u>	<u>\$ 994,597</u>	<u>100.00%</u>

A reconciliation of the Authority's cash and investment balances as reported in the Statements of Net Position and the deposits and investments presented in this note is as follows:

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

2. Cash and Investments

	2017		
	Deposits	Investments	Total
<u>Reported as Cash:</u>			
Savings and Demand			
Deposit Accounts	\$ 605,203	\$ -	\$ 605,203
Certificates of Deposit	44,561	-	44,561
Money Market Funds	194,153	-	194,153
Cash on Hand	9,400	-	9,400
Total Reported as Cash	<u>853,317</u>	<u>-</u>	<u>853,317</u>
<u>Reported as Investments:</u>			
Government Money Market Funds	-	30,523	30,523
Equities	-	23,191	23,191
Mutual Funds	-	84,544	84,544
Fixed Income Mutual Funds	-	129,610	129,610
First Midwest Equity Funds	-	64,646	64,646
First Midwest Fixed Income Funds	-	89,448	89,448
Total Reported as Investments	<u>-</u>	<u>421,962</u>	<u>421,962</u>
 Total Cash and Investments	 <u>\$ 853,317</u>	 <u>\$ 421,962</u>	 <u>\$ 1,275,279</u>
 <u>Reconciliation of Cash and Investments:</u>			
Statement of Net Position Cash - Page 10		\$ 825,696	
Statement of Net Position Cash - Restricted - Page 10		27,621	
Statement of Net Position Investments - Page 10		56,212	
Statement of Net Position Investments - Restricted - Page 10		365,750	
		<u>\$ 1,275,279</u>	

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

2. Cash and Investments

	2016		
	Deposits	Investments	Total
<u>Reported as Cash:</u>			
Savings and Demand			
Deposit Accounts	\$ 335,411	\$ -	\$ 335,411
Certificates of Deposit	34,378	-	34,378
Money Market Funds	3,675	-	3,675
Cash on Hand	9,900	-	9,900
Total Reported as Cash	<u>383,364</u>	<u>-</u>	<u>383,364</u>
<u>Reported as Investments:</u>			
Government Money Market Funds	-	13,560	13,560
Equities	-	25,403	25,403
Mutual Funds	-	170,918	170,918
Fixed Income Mutual Funds	-	175,245	175,245
First Midwest Equity Funds	-	285,376	285,376
First Midwest Fixed Income Funds	-	324,095	324,095
Total Reported as Investments	<u>-</u>	<u>994,597</u>	<u>994,597</u>
 Total Cash and Investments	 <u>\$ 383,364</u>	 <u>\$ 994,597</u>	 <u>\$ 1,377,961</u>
<u>Reconciliation of Cash and Investments:</u>			
Statement of Net Position Cash - Page 10		\$ 355,743	
Statement of Net Position Cash - Restricted - Page 10		27,621	
Statement of Net Position Investments - Page 10		36,285	
Statement of Net Position Investments - Restricted - Page 10		<u>958,312</u>	
		<u>\$ 1,377,961</u>	

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in active markets;
- inputs other than quoted prices that are observable for the asset or liability;

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

2. Cash and Investments

- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following descriptions of the valuation methods and assumptions used by the Authority to estimate the fair values of investments apply to investments held directly by the Authority.

Equities and Mutual Funds: The fair values of mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

Private Bank Mutual Funds: The fair values of private bank mutual funds are determined by fund managers based on the quoted prices of the underlying assets (level 2 inputs). Funds consist of investments with quoted prices on nationally recognized securities exchanges. The funds provide for daily redemptions by the Authority at reported unit value, with no advance notification required.

Each year, the investing plan will include a spending rate. Annual distributions may not exceed 5% equities of the fund balance after adjusting for inflation.

The following are the major categories of assets measured at fair value on a recurring basis in the financial statements as of June 30, 2017 and 2016:

	Level 1	Level 2	Level 3	Total
Equities	\$ 23,191	\$ -	\$ -	\$ 23,191
Government Money Market Funds	30,523	-	-	30,523
Mutual Funds	-	84,544	-	84,544
Fixed Income Mutual Funds	-	129,610	-	129,610
First Midwest Funds:				
Domestic Equity Funds	-	64,646	-	64,646
Fixed Income Funds	-	89,448	-	89,448
	<u>\$ 53,714</u>	<u>\$ 368,248</u>	<u>\$ -</u>	<u>\$ 421,962</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

2. Cash and Investments

	Level 1	Level 2	Level 3	Total
Equities	\$ 25,403	\$ -	\$ -	\$ 25,403
Government Money Market Funds	13,560	-	-	13,560
Mutual Funds	-	170,918	-	170,918
Fixed Income Mutual Funds	-	175,245	-	175,245
First Midwest Funds:				
Domestic Equity Funds	-	285,376	-	285,376
Fixed Income Funds	-	324,095	-	324,095
	<u>\$ 38,963</u>	<u>\$ 955,634</u>	<u>\$ -</u>	<u>\$ 994,597</u>

3. Restricted Assets

Restricted assets represent assets of the nonexpendable portion of the Endowment Fund.

4. Due to Bondholders

Due to Bondholders represents outstanding bonds related to Series 1983 support bonds issued. The balance includes bonds and coupons which have not been cancelled to date.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

5. Capital Assets

Capital assets activity for the years ended June 30, 2017 and 2016 was as follows:

	Balances July 1, 2016	Additions	Deletions	Balances June 30, 2017
Business-Type Activities				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 580,737	\$ -	\$ -	\$ 580,737
Construction in Progress	16,365	-	-	16,365
Subtotal	597,102	-	-	597,102
<i>Capital Assets Being Depreciated:</i>				
Buildings	16,108,129	61,643	-	16,169,772
Building Improvements	6,720,107	-	-	6,720,107
Furniture and Equipment	1,057,633	-	-	1,057,633
Total at Historical Cost	24,482,971	61,643	-	24,544,614
Less Accumulated Depreciation for:				
Buildings	13,036,035	103,004	-	13,139,039
Building Improvements	3,316,665	235,024	-	3,551,689
Furniture and Equipment	616,721	106,298	-	723,019
Total Accumulated Depreciation	16,969,421	444,326	-	17,413,747
Net Capital Assets	\$ 7,513,550	(\$ 382,683)	\$ -	\$ 7,130,867

	Balances July 1, 2015	Additions	Deletions	Balances June 30, 2016
Business-Type Activities				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 580,737	\$ -	\$ -	\$ 580,737
Construction in Progress	2,519,745	57,597	2,560,977	16,365
Subtotal	3,100,482	57,597	2,560,977	597,102
<i>Capital Assets Being Depreciated:</i>				
Buildings	13,791,221	2,316,908	-	16,108,129
Building Improvements	6,720,107	-	-	6,720,107
Furniture and Equipment	1,057,633	-	-	1,057,633
Total at Historical Cost	24,669,443	2,374,505	2,560,977	24,482,971
Less Accumulated Depreciation for:				
Buildings	12,938,518	97,517	-	13,036,035
Building Improvements	2,973,933	342,732	-	3,316,665
Furniture and Equipment	616,721	-	-	616,721
Total Accumulated Depreciation	16,529,172	440,249	-	16,969,421
Net Capital Assets	\$ 8,140,271	\$ 1,934,256	\$ 2,560,977	\$ 7,513,550

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

6. Retirement Fund

The Authority contributes to the Central Pension Fund (CPF), a defined benefit pension program, for employees who are members of the International Union of Operating Engineers.

The Authority contributed \$2.65 per hour, up to 40 hours a week, for each participant. Payments for the years 2017 and 2016 to CPF totaled \$22,914 and \$22,831 respectively.

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB No. 68*, became applicable for the Authority's year end June 30, 2015. The Statements require the Authority to record a net pension liability and deferred inflows/outflows of resources related to pensions in its financial statements. Additionally, the new statements require changes to the notes to the financial statements and required supplementary information. Based on the number of employees, management of the Authority does not consider the effects of implementing GASB Nos. 68 and 71 to be material to the June 30, 2017 and 2016 financial statements; therefore, no adjustments or additional disclosures have been made.

7. Going Concern

Although the Authority has sustained substantial operating losses in previous and very recent years, the Authority's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Authority's management has taken steps to continually review both the commercial and theatre operations to find efficiencies and savings in operational costs. This includes but is not limited to cost containment processes, creation of corporate sponsorships, generation of new programs which may create cash revenues to support the operations and rental rate and product rate increases. Additional commercial leasing is being pursued to further enhance the commercial operations of the Authority. Management expects these efforts along with seeking ways to add new revenue streams will provide the opportunity for the Authority to continue as a going concern.

The Authority hired a third-party real estate management company in an attempt to increase occupancy at its commercial rental properties all the while exploring opportunities of restructuring its business plan and future staffing needs. The Authority is also researching alternative dedicated funding resources via any and all available philanthropic and governmental opportunities. In August of 2016, the Authority hired a third-party management company to manage the operations of the Rialto Square Theatre.

8. Grants and Awards

The Authority receives a substantial amount of its support from the City of Joliet. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the Authority's programs and activities.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

9. Leases

The Authority is the lessor under operating leases expiring in various years.

The following is a summary of property on lease at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 3,215,571	\$ 3,191,866
Leaseholds Improvements	<u>3,873,276</u>	<u>3,901,293</u>
	7,088,847	7,093,159
Less Accumulated Depreciation	<u>2,373,385</u>	<u>2,172,395</u>
	<u>\$ 4,715,462</u>	<u>\$ 4,920,764</u>

Minimum future rentals to be received on non-cancelable leases as of June 30, 2017 for each of the next five years and in the aggregate are:

2018	\$ 664,844
2019	540,046
2020	409,355
2021	<u>346,140</u>
	<u>\$ 1,960,385</u>

Rent expense for the years ended June 30, 2017 and 2016 was \$27,102 and \$93,538 respectively.

10. Risk Management

The Authority is exposed to various risks of loss related to torts: theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover itself against these risks, the Authority has purchased insurance through several insurance companies.

The Authority accounts for its risk financing activities in the Enterprise Fund. There were no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded the insurance coverage in the last three years.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

11. Interfund Balances and Transfers

At June 30, 2017 and 2016, interfund balances were as follows:

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund		
Enterprise Fund	\$ 1,001,722	\$ 360,374
Endowment Fund	-	619,894
Agency Fund	-	500
Enterprise Fund		
General Fund	360,374	1,001,722
Endowment Fund	92,247	86,477
Agency Fund		
General Fund	500	-
Endowment Fund		
General Fund	619,894	-
Enterprise Fund	86,477	92,247
Grand Total	\$ 2,161,214	\$ 2,161,214

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund		
Enterprise Fund	\$ 422,374	\$ 294,008
Endowment Fund	-	13,596
Enterprise Fund		
General Fund	294,008	422,374
Endowment Fund	92,209	86,447
Endowment Fund		
General Fund	13,596	-
Enterprise Fund	86,477	92,239
Grand Total	\$ 908,664	\$ 908,664

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

11. Interfund Balances and Transfers

Interfund transfers during the years ended June 30, 2017 and 2016 were as follows:

<u>Fund</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Enterprise Fund	\$ -	\$ 361,970
Endowment Fund	30,000	-
Enterprise Fund		
General Fund	361,970	-
Endowment Fund	-	-
Endowment Fund		
General Fund	-	30,000
Enterprise Fund	-	-
	<u>\$ 391,970</u>	<u>\$ 391,970</u>

<u>Fund</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Enterprise Fund	\$ -	\$ 272,840
Endowment Fund	47,000	-
Enterprise Fund		
General Fund	272,840	-
Endowment Fund	-	32,250
Endowment Fund		
General Fund	-	47,000
Enterprise Fund	32,250	-
	<u>\$ 352,090</u>	<u>\$ 352,090</u>

12. Long-Term Debt

Long-term debt consists of the following:

\$2,658,251 Promissory Note, dated December 28, 2011, due on January 1, 2017 with a fixed interest rate of 5.0%. The note requires fifty-nine monthly payments, beginning February 1, 2012, principal and interest of \$15,090 each, and one irregular last payment estimated at \$2,412,963 due on January 1, 2017. The note was refinanced in January 2017 with an initial principal balance of \$2,391,458, which extended the maturity date to January 1, 2019. The balance due on this loan at June 30, 2017 and 2016 was \$2,356,197 and \$2,422,455.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

12. Long-Term Debt

\$19,137 Promissory Note, dated September 9, 2013, due on September 9, 2016 with a fixed interest rate of 5.5%. The note requires thirty-five monthly payments, beginning October 9, 2013, principal and interest of \$578 each. The balance due on this loan at June 30, 2017 and 2016 was \$0 and \$1,684 respectively.

Cash paid for interest was \$ 131,332 and \$114,746 during the years ended June 30, 2017 and 2016. Interest expense has been included in the direct expenses of individual functions on the government-wide statement of activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related.

A summary of long-term liability activity for the years ended June 30, 2017 and 2016 is as follows:

	Balances July 1, 2016	Additions	Reductions	Balances June 30, 2017
Business-Type Activities				
Promissory Note, Dated December 28, 2011	\$ 2,422,455	\$ -	\$ 66,258	\$ 2,356,197
Promissory Note, Dated September 9, 2013	1,684	-	1,684	-
Total	\$ 2,424,139	\$ -	\$ 67,942	\$ 2,356,197
	Balances July 1, 2015	Additions	Reductions	Balances June 30, 2016
Business-Type Activities				
Promissory Note, Dated December 28, 2011	\$ 2,476,061	\$ -	\$ 53,606	\$ 2,422,455
Promissory Note, Dated September 9, 2013	8,334	-	6,650	1,684
Total	\$ 2,484,395	\$ -	\$ 60,256	\$ 2,424,139

As of June 30, 2017, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30,	Notes Payable	
	Principal	Interest
2018	\$ 67,001	\$ 106,608
2019	2,289,196	66,218
	\$ 2,356,197	\$ 172,826

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements
June 30, 2017 and 2016

13. Capital Lease

The following lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the Statement of Net Position. Total assets purchased under the lease amount to \$11,428. Changes in lease obligations during 2017 and 2016 were as follows:

	<u>Balance July 1, 2016</u>	<u>Issuances</u>	<u>Payments</u>	<u>Balance June 30, 2017</u>
Capital Lease Obligations				
\$11,428 Lease for Phone Equipment, dated November 2, 2012, due in monthly installments through November 2017, interest at 16.18%.	\$ 4,213	\$ -	\$ 2,873	\$ 1,340
	<u>Balance July 1, 2015</u>	<u>Issuances</u>	<u>Payments</u>	<u>Balance June 30, 2016</u>
	\$ 6,660	\$ -	\$ 2,447	\$ 4,213

The future minimum lease obligations and the present value of these minimum lease payments were as follows:

<u>Due in Fiscal Year</u>	<u>Lease Payments</u>
2018	\$ 1,395
Less: Amount Representing Interest	(55)
Present Value of Minimum Lease Payments	<u>\$ 1,340</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

OTHER SCHEDULES

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule of Organization Data
(Unaudited)
June 30, 2017

Board of Directors

Chairman
Vice Chairman
Secretary
Treasurer
Director
Director
Director

Robert Filotto
Jeff R. Pierson
Kathleen K. Trizna
Donnie F. Chestnutt
Joe P. Carlasare
Jane Condon
Thomas Osterberger

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule of Insurance Data (Unaudited) June 30, 2017

Below is a schedule of the Authority's insurance in effect at June 30, 2017.

<u>Insurance</u>	<u>Carrier</u>	<u>Expiration Date</u>
Property	Philadelphia Insurance Company	4/2/2018
\$64,235,782	Property Coverage - Rialto Building, Terminal Building, Joliet Building Annex Building	
\$675,800	Business Personal Property	
\$150,000	Personal Property of Others	
\$3,000,000	Business Income	
\$100,000	Fidelity Bond	
\$10,000	Theft, Premises, Messenger and Safe	
Liability	Philadelphia Insurance Company	4/2/2018
\$1,000,000	Liability Coverage	
Comprehensive Umbrella Liability	Philadelphia Insurance Company	4/2/2018
\$10,000,000		

(Continued)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule of Insurance Data (Unaudited) June 30, 2017

<u>Insurance</u>	<u>Carrier</u>	<u>Expiration Date</u>
Operating Engineers Health Benefits	IUOE Local 399	Monthly
\$1,000,000	Personal and Advertising Injury Liability	
\$1,000,000	Non-owned and Hired Auto Liability	
\$500,000	Fire and Water Damage	
\$5,000	Each Personal Medical Limit	
\$10,000	Each Occurrence Medical Payment Limit	
<u>Building</u>	<u>Number of Tenants</u>	
Two Rialto Square	11	
Rialto Office Complex	5	



To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Communication of a Material Weakness

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund of Will County Metropolitan Exposition and Auditorium Authority (the Authority) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Preparation of the Financial Statements

The Board of Directors and management share the ultimate responsibility for the Authority's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The Authority engages Wermer, Rogers, Doran & Ruzon, LLC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Wermer, Rogers, Doran & Ruzon, LLC cannot be considered part of the Authority's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the Authority should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles including Governmental Accounting Standards Board Statements, and knowledge of the Authority's activities and operations. Currently, the Authority's personnel do not have sufficient financial reporting and accounting knowledge to perform a review of the Authority's financial statements and related disclosures to provide a high level of assurance that any potential material omissions or errors would be identified and corrected. The condition is limited to external financial reporting in accordance with accounting principles applicable to governments, due to the complex nature of governmental accounting. After reviewing financial statement preparation procedures, adjusting journal entries, and financial statements with the Authority's management, management was able to oversee WRDR's financial statement preparation and related services.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Werner, Roger, Dorian & Arzon, L.L.C.

June 20, 2018



To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Management Letter

In planning and performing our audit of the financial statements of Will County Metropolitan Exposition and Auditorium Authority (the Authority) for the year ended June 30, 2017 in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency which are summarized below. This letter does not affect our report dated June 20, 2018 on the financial statements of the Authority.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Monthly Cash Reconciliations

Finding: Monthly cash reconciliations prepared by the Authority's Finance Manager are not being reviewed.

Recommendation: We recommend review of monthly cash reconciliations by a designated board member, including documentation of review. WRDR noted review of monthly cash reconciliations began after fiscal year end.

Adjusting Journal Entries

Finding: Due to the limited accounting staff, the Finance Manager performs various overlapping duties. In addition, he is authorized to prepare and post all adjusting journal entries to the general ledger.

Recommendation: We recommend that a designated board member review monthly adjusting journal entries posted to the general ledger by the Finance Manager, including documentation of review. WRDR noted review of monthly adjusting journal entries posted to the general ledger began after fiscal year end.

Signed Bid Contracts

Finding: The Authority did not maintain copies of signed bid contracts.

Recommendation: We recommend the Authority maintain signed copies of all awarded contracts.

Accounting Software Conversion

Finding: During 2017, the Authority converted to a new accounting system. When recording the conversion, the Authority did not include revenues and expenses from July 1, 2016 through March 31, 2017.

Recommendation: We recommend the Authority consistently record and report transactions from year to year.

This report is intended solely for the information and use of the Board of Directors, management and others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

Werner, Rogers, Durant & Arzon, L.L.C.

June 20, 2018



November 16, 2017

To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Communication with Those Charged with Governance during Audit Planning

We are engaged to audit the financial statements of the governmental activities, the business-type activities and each major fund of Will County Metropolitan Exposition and Auditorium Authority (the Authority) for the year ended June 30, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 9, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to RSI, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the supplementary information, which accompany the financial statements but is not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the other schedules, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately November 2, 2017 and issue our report on approximately December 31, 2017. Mary Lancaster is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Board of Directors and management of the Will County Metropolitan Exposition and Auditorium Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Wormer, Rogers, Duman & Arzon, L.L.C.