

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2016

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)

As of December 31, 2016

TABLE OF CONTENTS

	PAGE
<u>INDEPENDENT AUDITOR'S REPORT</u>	2
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Position and Governmental Funds Balance Sheet	3
Statement of Activities and Governmental Funds, Revenues, Expenditures and Changes in Fund Balances	4
Statement of Revenues and Expenditures – Budget and Actual	5-6
<u>NOTES TO FINANCIAL STATEMENTS</u>	7-9
SUMMARY SCHEDULE OF AUDIT FINDINGS	10-11
STATE OF ILLINOIS CPA LICENSE	12



THE A.C.T. GROUP Ltd

INDEPENDENT AUDITOR'S REPORT

To Commissioners of Special Service Area #1-2015
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Special Service Area #1-2015 (a taxing district authorized by the City of Chicago) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Special Service Area #1-2015 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 the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 unqualified audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #1-2015 as of December 31, 2016 and the changes in financial position and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The A.C.T. Group, Ltd.

The A.C.T. Group, Ltd.
Certified Public Accountants
April 24, 2017

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2016

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<u>Current Assets</u>			
Cash	\$ 410,825	\$ -	\$ 410,825
Property Tax Receivable, net of allowance for uncollectable taxes of \$103,166	2,475,984	-	2,475,984
Prepaid Expenses	50,872	-	50,872
TOTAL ASSETS	\$ 2,937,681	\$ -	\$ 2,937,681
LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 235,514	\$ -	\$ 235,514
TOTAL LIABILITIES	235,514	-	235,514
DEFERRED INFLOWS			
Deferred Property Tax Revenue	2,475,984	(2,475,984)	-
FUND BALANCES / NET POSITION			
<u>Non-spendable:</u>			
Prepaid Items	50,872	(50,872)	-
<u>Committed:</u>			
	-	-	-
<u>Assigned:</u>			
	-	-	-
<u>Unassigned</u>			
	175,311	(175,311)	-
TOTAL FUND BALANCE	226,183	(226,183)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 2,937,681		
<u>Net Position</u>			
Restricted		\$ 2,702,167	\$ 2,702,167

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ 226,183
Property tax revenue is recognized in the period for which levied rather than when "available." A portion of the property tax is deferred as it is not available in the governmental funds.	2,475,984
Total net position - governmental activities	\$ 2,702,167

The accompanying notes are an integral part of the financial statements.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
Statement of Activities and Governmental Funds, Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2016

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES:			
Property Taxes	\$ 2,399,916	\$ 180,663	\$ 2,580,579
TOTAL REVENUE	<u>2,399,916</u>	<u>180,663</u>	<u>2,580,579</u>
EXPENSES:			
Services:			
Customer Attraction	378,160	-	378,160
Public Way Aesthetics	857,820	-	857,820
Safety Programs	<u>334,069</u>	<u>-</u>	<u>334,069</u>
Total Services Expense	<u>1,570,049</u>	<u>-</u>	<u>1,570,049</u>
Administration:			
Personnel	491,746	-	491,746
Admin - nonpersonnel	<u>111,938</u>	<u>-</u>	<u>111,938</u>
Total Administration Expense	<u>603,684</u>	<u>-</u>	<u>603,684</u>
TOTAL EXPENSES	<u>2,173,733</u>	<u>-</u>	<u>2,173,733</u>
Excess of revenues over expenditures	226,183	(226,183)	
Change in Net Position		406,846	406,846
FUND BALANCE/NET POSITION			
Beginning of the Year	<u>-</u>	<u>2,295,321</u>	<u>2,295,321</u>
End of the Year	<u>\$ 226,183</u>	<u>\$ 2,475,984</u>	<u>\$ 2,702,167</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in Fund balance - governmental funds		\$ 226,183
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds		<u>180,663</u>
Change in net position		<u>\$ 406,846</u>

The accompanying notes are an integral part of the financial statements.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2016

	BUDGET 2016	ACTUAL 2016	VARIANCE \$
REVENUES:			
Property Taxes	\$ 2,434,811	\$ 2,399,852	\$ (34,959)
Late Collections and Interest Income Thereon	-	7	7
Interest Income	-	57	-
Loss Collection	(43,852)	-	43,852
TOTAL REVENUE	<u>2,390,959</u>	<u>2,399,916</u>	<u>8,900</u>
EXPENSES:			
Customer Attraction			
Website	16,500	14,447	(2,053)
Special Events	20,000	9,550	(10,450)
Social Media Outreach	10,000	6,033	(3,967)
Decorative Banners	85,000	74,420	(10,580)
Holiday Decorations	65,000	70,138	5,138
Printed Materials	25,000	19,755	(5,245)
Display Advertising	55,000	54,411	(589)
PR/Media Relations	45,000	44,924	(76)
Placemaking	75,000	75,050	50
Additional Insurance	15,000	9,432	(5,568)
Total Customer Attraction	<u>411,500</u>	<u>378,160</u>	<u>(33,340)</u>
Public Way Aesthetics			
Landscaping	210,000	188,562	(21,438)
Way Finding/Signage	15,000	14,160	(840)
Streetscape Elements	45,000	21,298	(23,702)
Sidewalk Maintenance	197,227	196,870	(357)
Activation of CTA Kiosks	15,000	12,173	(2,827)
Sidewalk Cleaning & Snow Removal	249,000	247,307	(1,693)
Sidewalk Power Washing	213,000	177,450	(35,550)
Total Public Way Aesthetics	<u>944,227</u>	<u>857,820</u>	<u>(86,407)</u>
Economic/Business Development			
Springboard Pedestrian Counters	51,000	-	(51,000)
Total Econ./Bus. Development	<u>51,000</u>	<u>-</u>	<u>(51,000)</u>
Safety Programs			
Ambassador - Public Safety Program	343,000	332,069	(10,931)
Homeless Outreach Program	5,000	2,000	(3,000)
Total Safety Programs	<u>348,000</u>	<u>334,069</u>	<u>(13,931)</u>

The accompanying notes are an integral part of the financial statements.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2016

	BUDGET <u>2016</u>	ACTUAL <u>2016</u>	VARIANCE \$
SSA Mgt./Admin . Non-Personnel			
Annual Report	10,300	10,119	(181)
Audit	6,000	4,111	(1,889)
Bookkeeping	6,000	8,389	2,389
Office Rent	37,712	34,779	(2,933)
Office Utilities	9,000	6,679	(2,321)
Office Equip Lease/Maint	18,750	20,140	1,390
D&O / General Liability Insurance	15,000	15,391	391
Conferences & Training	5,250	5,093	(157)
IT Monitoring Services	9,100	7,237	(1,863)
Total Admin. Non-Personnel	<u>117,112</u>	<u>111,938</u>	<u>(5,174)</u>
Personnel	<u>519,120</u>	<u>491,746</u>	<u>(27,374)</u>
TOTAL EXPENSES	2,390,959	2,173,733	(217,226)
Excess of Revenue Over Expenses	<u>\$ -</u>	<u>\$ 226,183</u>	<u>\$ 226,126</u>

The accompanying notes are an integral part of the financial statements.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

Reporting Entity: Special Service Area #1-2015 (SSA #1-2015) provides services on behalf of the City of Chicago (City) within a specified geographic area. These services include promotional and advertising, maintenance of the public way, safety, and other functions. The SSA #1-2015 is exempt from federal income tax under section 501(c)(6) of the Internal Revenue code.

Government-Wide and Fund Financial Statements: The financial statements of the SSA #1-2015 have been prepared in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for the establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

Government-Wide financial statements (statements of net position and statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting for all of the SSA #1-2015's activities. The Fund Financial Statements, which focus on the SSA #1-2015's governmental funds current financial resources measurement focus, are prepared on the modified accrual basis.

The SSA #1-2015 accounts for its activities in one fund, its general fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year they are levied.

The governmental fund financial statements are prepared on the modified accrual basis of accounting with only current assets and liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available to finance expenditures of the current period. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end. Expenditures are recorded when the liability is incurred.

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Assets, Liabilities, and Net Position:

Cash, Cash equivalents and investments: The SSA #1-2015's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables: All property tax receivables are shown net of allowances. As of December 31, 2016, the allowance is estimated to be 4% of the outstanding property taxes.

Fund Equity/Net Position: Government fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by enabling legislation or an outside party. Committed fund balance is a limitation imposed by the SSA #1-2015's boards through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the SSA #1-2015's boards. Unassigned fund balance is a net resource in excess of what can be properly classified in one of the above four categories.

When both restricted and unrestricted fund balances are available for use, it is the SSA #1-2015's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balance is reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statement, net position is reported as invested in capital assets net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt, if applicable, is comprised of the net capital asset balance less any related debt. Restricted net position is when restrictions are placed on net assets from 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. The remaining net position is classified as unrestricted.

2. Cash

The SSA #1-2015 maintains its cash in a bank checking account, which, at times, may exceed federally insured limits. The SSA #1-2015 had not experienced any losses in such accounts. The SSA #1-2015 believes it is not exposed to any significant credit risk in cash.

3. Property Taxes

Property taxes become an enforceable lien on real property on January 1 of the year it is levied. Taxes are payable in two installments in the subsequent year. The first installment is an estimate based on the prior year billed levy (55%) and is due in March. The second installment is due on August 1, or 30 days from the mailing of the tax bills if issued later than July 1. The second installment is based on the remaining amount of the levy on file with the County. Bills are issued and collected by Cook County who remits the SSA #1-2015's share to the City who then remits the monies to the SSA #1-2015.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

4. Related Party Transactions

The SSA #1-2015 is affiliated with Chicago Loop Alliance (CLA), which provides certain administrative services for the SSA #1-2015. As of December 31, 2016 \$235,514 was payable for services provided. The balance resulted from the time lag that 1) goods and services are being provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments are being made.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SUMMARY SCHEDULE OF FINDINGS

As part of our audit and request by the Special Service Area Annual Audited Financial Statement Guidelines prepared by the City of Chicago Department of Housing and Economic Development dated June, 2013, we have read the requirements contained in the Agreement for Special Service Area #1-2015 between the City of Chicago and Chicago Loop Alliance (CLA).

Per Article 5.03, SSA #1-2015 established a separate checking account at a Chicago, IL bank during the year. All Service Tax Funds were automatically deposited into this checking account.

CLA does not pay the bills of SSA #1-2015 out of the SSA #1-2015 bank account. All bills are paid through CLA and monies are transferred out of the SSA account to the CLA account for the exact amount of funds spent for the SSA. If a bill is to be allocated between CLA and the SSA, only funds that apply to the SSA portion of the bill are transferred to CLA.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no other exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

RESPONSE

SSA #1-2015 bank account is currently a depository bank account. All bills are paid through the Chicago Loop Alliance (CLA) bank account and monies are transferred out of the SSA #1-2015 account to the CLA account for the exact amount of funds spent for SSA # 1-2015. SSA #1-2015 funds are not commingled with other CLA sources per *Section 5.03, Method of Payment*:

Section 5.03, Method of Payment, also states that pursuant to a schedule to be determined by the Commissioners, after the performance of services pursuant to the terms of the agreement, CLA may submit invoices to the City to request reimbursement for such expenses. CLA must provide, along with the invoices, such additional documentation as the Commissioners request to substantiate the services. Upon the Commissioners' determination that the invoices are accurate, the City will process payment of the invoices.

Abiding to the Special Service Area Financial and Accounting Guidelines, SSA #1-2015 Commissioners do not sign checks or other financial documents, but their approval in writing is needed for financial transactions pertaining to SSA #1-2015 finances. CLA will include a Commissioner or Commissioners elected by the State Street Commission to review a summary of accounts payable batch approval scheduled for payment. The elected Commissioner's signature will serve as authorization of the accounts payable scheduled for payment before disbursements are made. The elected Commissioner will also be invited to sit at CLA's Finance Committee meeting to ensure compliance with the Special Service Area (SSA) Audit Guidelines and appropriate management of SSA #1-2015 fund.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

RESPONSE - Continued

The Department of Planning and Development found this Corrective Action Plan satisfactory to ensure compliance with the requirements established in Special Service Area (SSA) Audit Guidelines in a letter addressed to Chicago Loop Alliance (CLA) on July 19, 2012, which was issued when CLA was the sole service provider to SSA #1. The procedures have not changed when SSA #1-2015 was established.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

