

**Lincoln Square
Special Service Area 21
(a taxing district authorized by the City of Chicago)**

**Financial Statements
December 31, 2016**

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Special Service Area 21
Financial Statements
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Independent Auditor's Report

To the Commissioners
Lincoln Square Special Service Area 21

We have audited the accompanying financial statements of Lincoln Square Special Service Area 21, which comprise the statement of net position and governmental fund balance sheet as of December 31, 2016, and the related statement of activities and governmental fund / revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 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 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Lincoln Square Special Service Area 21 as of December 31, 2016, and its statement of activities and governmental fund / revenues, expenditures and changes in fund balance, and summary schedule of audit findings for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues and expenditures - budget and actual on page 11 and page 12, are presented for comparison and analysis purposes only. The supplementary information is not a required part of the basic financial statements. We have not performed any auditing procedures on the budget amounts and therefore, express no opinion on them.

Eilts & Associates, Inc.

EILTS & ASSOCIATES, INC.
Chicago, Illinois
April 18, 2017

**Lincoln Square
Special Service Area 21
Statement of Net Position and
Governmental Fund Balance Sheet
December 31, 2016**

	Governmental fund	Adjustments	Statement of Net position
ASSETS			
Cash and cash equivalents	\$ 21,946	\$ -	\$ 21,946
Total Assets	<u>\$ 21,946</u>	<u>\$ -</u>	<u>\$ 21,946</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 21,116	\$ -	\$ 21,116
Due to City of Chicago	830	-	830
Total Liabilities	<u>21,946</u>	<u>-</u>	<u>21,946</u>
FUND BALANCE / NET POSITION			
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 21,946</u>		
Net Position - Restricted		<u>\$ -</u>	<u>\$ -</u>

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

Total fund balance - governmental funds	\$ -
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 government funds.	<u>-</u>
Total net position - governmental activities	<u>\$ -</u>

See notes to the financial statements and independent auditor's report

**Lincoln Square
Special Service Area 21
Statement of Activities and Governmental Fund /
Revenues, Expenditures
and Changes in Fund Balance
December 31, 2016**

	Governmental fund	Adjustments	Statement of Activities
REVENUES			
Property taxes and interest	\$ 136,749	\$ (133,670)	\$ 3,079
Total Revenues	136,749	(133,670)	3,079
EXPENDITURES			
Customer attraction	25,641	-	25,641
Public way aesthetics	124,612	-	124,612
Economic / business development	26,683	-	26,683
SSA management	10,843	-	10,843
Personnel	20,753	-	20,753
Total expenditures	208,532	-	208,532
Excess of revenues over expenditures	(71,783)	(133,670)	(205,453)
Change in Net Position	(71,783)	(133,670)	(205,453)
Fund Balance/Net Position			
Beginning of the Year	72,613	133,670	206,283
Return Fund Balance to City of Chicago	(830)	-	(830)
End of the Year	\$ -	\$ -	\$ -

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

Net change in Fund balance - governmental funds	\$ (71,783)
Property tax is recognized in the year it is levied rather than when it is available for governmental funds	(133,670)
Change in Net Position	\$ (205,453)

See notes to the financial statements and independent auditor's report

**Lincoln Square
Special Service Area 21
(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 – Summary of Significant Accounting Policies

a. Nature of Activities and reporting entity

Lincoln Square Special Service Area (SSA) 21 was designated by the City of Chicago to provide services to the Lincoln Square community. The primary source of funds for the SSA 21 is from real estate taxes on properties within the SSA district. The services include promotional and advertising, maintenance of the public way, safety, and other functions. The SSA is exempt from federal tax under section 501(c)(6) of the Internal Revenue code. Lincoln Square Special Service Area 21 is governed by a Commission whose members are appointed by the City. As of December 31, 2016, Lincoln Square SSA 21 has expired and will not receive any future property taxes.

b. Governmental-Wide and Fund Financial Statements

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

Governmental-Wide financial statements (statement 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's activities. The Fund Financial Statements, which focus on the SSA's governmental funds current financial resources measurement focus, are prepared on the modified accrual basis.

The SSA accounts for its activities in one fund, its general fund.

**Lincoln Square
Special Service Area 21
(a taxing district authorized by the City of Chicago)
Note to Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 – Summary of Significant Accounting Policies – (continued)

c. 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 related cash flows. Property taxes are recognized as revenues in the year in which 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, 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 as 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 statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

d. Assets, Liabilities, and Net Position

**Lincoln Square
Special Service Area 21
(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 – Summary of Significant Accounting Policies – (continued)

Cash and cash equivalents

The SSA's cash and cash equivalents are considered to be short term liquid investments such as cash in banks, money markets, and other financial instruments that can be reduced to cash in thirty days or less.

Receivables

As of December 31, 2016, Lincoln Square SSA 21 has expired and will not receive any future property taxes.

Fund Equity / Net Position

Governmental 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 the SSA board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the SSA board. Unassigned fund balance is the net resources in excess of what can be property classified in one of the above four categories.

When both restricted and unrestricted fund balances are available for use, it is the SSA'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 statements, 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

**Lincoln Square
Special Service Area 21
(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 – Summary of Significant Accounting Policies – (continued)

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.

e. Subsequent Events

Subsequent events have been evaluated through April 18, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – Cash and cash equivalents

The SSA defines cash and cash equivalents as short term liquid investments such as cash in banks, money markets, and other financial instruments that can be reduced to cash in thirty days or less. The SSA maintains its cash balance in a financial institution located in Chicago, IL. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. The SSA's cash balance did not exceed the insurance level as of December 31, 2016.

NOTE 3 – Property taxes

The SSA's principal source of revenue is from real estate taxes levied on certain property located in its boundaries. 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 March. The second installment is due in August 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's share to the City who then remits the monies to the SSA. As of December 31, 2016, Lincoln Square SSA 21 has expired and will not receive any future property taxes.

**Lincoln Square
Special Service Area 21
(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Year Ended December 31, 2016**

NOTE 5 – Fund Equity / Net Position

The SSA is required to present information regarding its financial position and activities according to the Agreement for Lincoln Square Special Service Area 21 between the City of Chicago and Lincoln Square Ravenswood Chamber of Commerce. As of December 31, 2016, the SSA net fund balance of \$830, will be held by the chamber during 2017 in case of any property tax refunds. After designated time frame in 2017, the remaining funds will be returned to the City of Chicago.

NOTE 6 – Related Party Transactions

The SSA is affiliated with Lincoln Square Ravenswood Chamber of Commerce as its sole service provider. Lincoln Special Service Area 21 shares office space, equipment, and employees through this affiliation. SSA 21 has no employees of their own, but reimburses Lincoln Square Ravenswood Chamber of Commerce for payroll and related costs, as well as a portion of its operating expenses, and allocation of rent and utilities.

Supplementary Information

**Lincoln Square
Special Service Area 21
Schedule of Revenues and
Expenditures - Budget and Actual
December 31, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Property revenues and interest - current year	\$ 135,369	\$ 136,749	\$ (1,380)
Less: loss collection	(6,922)	-	(6,922)
Late collections	6,922	-	6,922
TIF rebate	2,769	-	2,769
	<u>138,138</u>	<u>136,749</u>	<u>1,389</u>
EXPENDITURES			
Customer attraction	17,300	25,641	(8,341)
Public way aesthetics	100,363	124,612	(24,249)
Economic / business development	11,872	26,683	(14,811)
SSA management	7,850	10,843	(2,993)
Personnel	20,753	20,753	-
	<u>158,138</u>	<u>208,532</u>	<u>(50,394)</u>
Excess of revenues over expenditures	<u>\$ (20,000)</u>	<u>\$ (71,783)</u>	<u>\$ 51,783</u>
CARRYOVER			
	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net revenues in excess of expenses	<u>\$ -</u>	<u>\$ (71,783)</u>	<u>\$ 71,783</u>

See notes to the financial statements and independent auditor's report

**Lincoln Square
Special Service Area 21
Schedule of Revenues and
Expenditures - Budget and Actual
December 31, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Property revenues and interest - current year	\$ 138,434	\$ 133,056	\$ 5,378
Less: loss collection	(7,289)	-	(7,289)
Late collections	6,917	(5,042)	11,959
	<u>138,062</u>	<u>128,014</u>	<u>10,048</u>
Total revenues	138,062	128,014	10,048
EXPENDITURES			
Customer attraction	14,800	9,767	5,033
Public way aesthetics	82,000	87,743	(5,743)
Economic / business development	16,917	13,100	3,817
SSA management	7,225	6,765	460
Personnel	17,120	17,120	-
	<u>138,062</u>	<u>134,495</u>	<u>3,567</u>
Total expenditures	138,062	134,495	3,567
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ (6,481)</u>	<u>\$ 6,481</u>
CARRYOVER			
	<u>-</u>	<u>-</u>	<u>-</u>
Net revenues in excess of expenses	<u>\$ -</u>	<u>\$ (6,481)</u>	<u>\$ 6,481</u>

See notes to the financial statements and independent auditor's report

**Lincoln Square
Special Service Area 21
(a taxing district authorized by the City of Chicago)
Summary Schedule of Audit Findings
For the Year Ended December 31, 2016**

As part of our audit and request by the Special Service Area Annual Audited Financial and Accounting Guide prepared by the City of Chicago Department of Planning and Economic Development, we have read and understand the requirements contained in the Agreement for Special Service Area 21 between the City of Chicago and Lincoln Square Ravenswood Chamber of Commerce.

FINDING

After conducting this audit, we determined there was one finding per the above guide as follows: Over spent in a majority of the budget categories within the 2016 budget.

CORRECTIVE ACTION PLAN

Per Lincoln Square Ravenswood Chamber of Commerce, sole service provider for SSA 21, the SSA 21 was instructed to spend out the remaining carryover funds, due to December 31, 2016, being their last year.

The auditor's report expresses an unmodified opinion on the financial statements of Lincoln Square Special Service Area 21. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.