

SPECIAL SERVICE AREA #28
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

SPECIAL SERVICE AREA #28
(a taxing district authorized by the City of Chicago)

As of December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Six Corners Association
Commissioners of Special Service Area #28
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Special Service Area #28 (a taxing district authorized by the City of Chicago) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Special Service Area #28 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 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 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #28 as of December 31, 2017 and 2016, and the changes in financial position and budgetary comparison for the years 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 30, 2018

SPECIAL SERVICE AREA #28
(a taxing district authorized by the City of Chicago)
Managed by Six Corners Association
Statements of Net Position and Governmental Funds Balance Sheets
December 31, 2017 and 2016

	2017			2016		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
<u>Current Assets</u>						
Cash	\$ 55,072	\$ -	\$ 55,072	\$ 107,546	\$ -	\$ 107,546
Property Tax Receivable, net of allowance for uncollectable taxes of \$11,981 and \$11,774	287,540	-	287,540	282,565	-	282,565
Due from City of Chicago	127,606	-	127,606	51,660	-	51,660
Due from Six Corners Association	4,620	-	4,620	-	-	-
TOTAL ASSETS	\$ 474,838	\$ -	\$ 474,838	\$ 441,771	\$ -	\$ 441,771
 LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,597	\$ -	\$ 2,597
Accrued Expenses	3,465	-	3,465	2,854	-	2,854
Due to Six Corners Association	-	-	-	7,823	-	7,823
TOTAL LIABILITIES	3,465	-	3,465	13,274	-	13,274
 DEFERRED INFLOWS						
Deferred Property Tax Revenue	287,540	(287,540)	-	282,565	(282,565)	-
 FUND BALANCES / NET POSITION						
<u>Non-spendable:</u>	-	-	-	-	-	-
<u>Committed:</u>	-	-	-	-	-	-
<u>Assigned:</u>	-	-	-	-	-	-
<u>Unassigned</u>	183,833	(183,833)	-	145,932	(145,932)	-
TOTAL FUND BALANCE	183,833	(183,833)	-	145,932	(145,932)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 474,838			\$ 441,771		
 <u>Net Position</u>						
Restricted		\$ 471,373	\$ 471,373		\$ 428,497	\$ 428,497

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

Total fund balance - governmental funds	\$ 183,833	\$ 145,932
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.	287,540	282,565
Total net position - governmental activities	\$ 471,373	\$ 428,497

SPECIAL SERVICE AREA #28
(a taxing district authorized by the City of Chicago)
Managed by Six Corners Association
Statements of Activities and Governmental, Funds, Revenues,
Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Governmental Funds	Adjustments	Statement of Activities	Governmental Funds	Adjustments	Statement of Activities
REVENUES:						
Property Taxes	\$ 375,241	\$ 4,975	\$ 380,216	\$ 294,590	\$ (7,941)	\$ 286,649
Interest Income	<u>2</u>	<u>-</u>	<u>2</u>	<u>4</u>	<u>-</u>	<u>4</u>
TOTAL REVENUE	<u>375,243</u>	<u>4,975</u>	<u>380,218</u>	<u>294,594</u>	<u>(7,941)</u>	<u>286,653</u>
EXPENSES:						
Services:						
Customer Attraction	119,256	-	119,256	42,257	-	42,257
Public Way Aesthetics	109,278	-	109,278	115,981	-	115,981
Sustainability & Public Places	3,480	-	3,480	2,000	-	2,000
Economic/Business Development	3,763	-	3,763	4,394	-	4,394
Safety Programs	<u>7,440</u>	<u>-</u>	<u>7,440</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total Services Expense	<u>243,217</u>	<u>-</u>	<u>243,217</u>	<u>170,632</u>	<u>-</u>	<u>170,632</u>
Administration:						
Personnel	68,653	-	68,653	77,121	-	77,121
Admin - nonpersonnel	<u>25,472</u>	<u>-</u>	<u>25,472</u>	<u>32,180</u>	<u>-</u>	<u>32,180</u>
Total Administration Expense	<u>94,125</u>	<u>-</u>	<u>94,125</u>	<u>109,301</u>	<u>-</u>	<u>109,301</u>
TOTAL EXPENSES	<u>337,342</u>	<u>-</u>	<u>337,342</u>	<u>279,933</u>	<u>-</u>	<u>279,933</u>
 Excess of revenues over expenditures	 37,901	 (37,901)		 14,661	 (14,661)	
Change in Net Position		42,876	42,876		6,720	6,720
FUND BALANCE/NET POSITION						
Beginning of the Year	<u>145,932</u>	<u>282,565</u>	<u>428,497</u>	<u>131,271</u>	<u>290,506</u>	<u>421,777</u>
End of the Year	<u>\$ 183,833</u>	<u>\$ 287,540</u>	<u>\$ 471,373</u>	<u>\$ 145,932</u>	<u>\$ 282,565</u>	<u>\$ 428,497</u>

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

Net change in Fund balance - governmental funds	\$ 37,901	\$ 14,661
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>4,975</u>	<u>(7,941)</u>
Change in net position	<u>\$ 42,876</u>	<u>\$ 6,720</u>

SPECIAL SERVICE AREA #28
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Statements of Revenues and Expenditures - Budget and Actual
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES:						
Property Taxes	\$ 294,339	\$ 290,886	\$ (3,453)	\$ 288,200	\$ 300,219	\$ 12,019
Interest Income	-	2	2	-	4	4
Fund 947	-	-	-	4,529	-	(4,529)
TIF Rebate	14,228	90,174	75,946	-	-	-
Late Collection	-	-	-	14,410	(5,629)	(20,039)
Loss Collection	5,182	(5,819)	(11,001)	(8,646)	-	8,646
TOTAL REVENUE	313,749	375,243	61,494	298,493	294,594	(3,899)
EXPENSES:						
Customer Attraction	125,833	119,256	(6,577)	46,483	42,257	(4,226)
Public Way Aesthetics	155,581	109,278	(46,303)	184,026	115,981	(68,045)
Sustainability & Public Places	3,500	3,480	(20)	2,000	2,000	-
Economic/Business Development	5,500	3,763	(1,737)	5,500	4,394	(1,106)
Safety Programs	6,620	7,440	820	6,000	6,000	-
Admin - nonpersonnel	28,265	25,472	(2,793)	32,800	32,180	(620)
Personnel	73,450	68,653	(4,797)	78,300	77,121	(1,179)
TOTAL EXPENSES	398,749	337,342	(61,407)	355,109	279,933	(75,176)
Excess of Revenues Over Expenses	\$ (85,000)	\$ 37,901	\$ 122,901	\$ (56,616)	\$ 14,661	\$ 71,277

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

SPECIAL SERVICE AREA #28
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Managed by Six Corners Association
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies

Reporting Entity: Special Service Area #28 (SSA) 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 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 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).

The SSA 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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Assets, Liabilities, and Net Position:

Cash, Cash equivalents and investments: The SSA'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, 2017 and 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 board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the SAA board. 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'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 Organization maintains its cash in one bank deposit account, which, at times, may exceed federally insured limits. The Organization had not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk in cash.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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's share to the City who then remits the monies to the SSA.

The Due from City of Chicago at December 31, 2017 and 2016 consists of TIF funds from 2013, 2014, 2016, and 2017 of \$127,606 and \$51,660, respectively.

4. Related Party Transactions

The SSA is affiliated with the Six Corners Association, which provides certain administrative services for the SSA. As of December 31, 2016, \$7,823 was payable for services or goods 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.

As of December 31, 2017, \$4,620 was due from the Six Corners Association as a result of year-end cost allocation adjustments.

5. Prior Year Reclassifications

For comparability, the prior year's financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used this year.

SPECIAL SERVICE AREA #28
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 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 Planning and Development issued in 2017, we have read and understand the requirements contained in the Agreement for Special Service Area #28 between the City of Chicago and Six Corners Association.

We noted certain expenditures for which actual expenses exceeded budgeted amounts.

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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

