

71st Stony
Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)

Financial Statements

Years Ended December 31, 2017 and 2016

71st Stony Special Service Area # 42

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Bravos & Associates

Certified Public Accountants

**324 Ridgewood Drive
Bloomington, Illinois 60108
(630) 893-6753**

Fax (630) 893-7296 email: Bravostw@comcast.net

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
71st Stony Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)
Chicago, Illinois

We have audited the accompanying statement of governmental activities and the major fund of 71st Stony Special Service Area Number 42 (a taxing district authorized by the City of Chicago) as of December 31, 2017 and 2016, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balances for the years then ended, which collectively comprise the service areas' 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 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 judgement, 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 to design audit procedures that are appropriate in the circumstances, but not for 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 estimates made by management, as well as evaluating the overall financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 and the major fund of 71st Stony Special Service Area Number 42 (a taxing district authorized by the City of Chicago), as of December 31, 2017 and 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principal

The special service area changed its method of accounting to generally accepted accounting principles as applicable to governmental entities. Our opinions are not modified with respect to that matter.

Other Matter

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.

Bravos & Associates CPAs

April 25, 2018
Bloomington, Illinois



71st Stony Special Service Area # 42
Governmental Fund Balance Sheet and
Statement of Net Position
December 31, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
<u>Assets</u>	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statements of Net Position</u>	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statements of Activities</u>
Cash	\$ 133,712	-	\$ 133,712	\$ 142,825	\$ -	\$ 142,825
Property tax receivable, net of allowance for uncollectable taxes of \$ 20,000	611,865	-	611,865	519,347		519,347
Prepaid expense	<u>13,898</u>	<u>-</u>	<u>13,898</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 759,475</u>	<u>-</u>	<u>\$ 759,475</u>	<u>\$ 662,172</u>	<u>\$ -</u>	<u>\$ 662,172</u>
<u>Liabilities</u>						
Accounts payable	\$ 10,601	-	\$ 10,601	\$ 9,660	\$ -	\$ 9,660
<u>Deferred Inflows</u>						
Deferred property tax revenue	611,865	(611,865)	-	519,347	(519,347)	-
<u>Fund Balances/Net Position</u>						
Unassigned	<u>137,009</u>	<u>611,865</u>	<u>748,874</u>	<u>133,165</u>	<u>519,347</u>	<u>652,512</u>
Total Liabilities, deferred inflows and fund balance/net position	<u>\$ 759,475</u>	<u>\$ -</u>	<u>\$ 759,475</u>	<u>\$ 662,172</u>	<u>\$ -</u>	<u>\$ 662,172</u>

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

Total fund balance - governmental fund	\$ 137,009	\$ 133,165
Property tax revenue is recognized in the period for which it is levied rather than when "available". A portion of the property tax is deferred as it is not available in the governmental funds.	<u>611,865</u>	<u>519,347</u>
Total net position - governmental activities	<u>\$ 748,874</u>	<u>\$ 652,512</u>

71st Stony Special Service Area # 42
Statements of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance and Activities
Years Ended December 31, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statements of Activities</u>	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statements of Activities</u>
<u>Revenues</u>						
Property taxes	\$ 566,118	\$ 92,518	\$ 658,636	\$ 504,192	\$ 4,425	\$ 508,617
TIF rebates	-	-	-	-	-	-
Interest income	25	-	25	12	-	12
Total revenues	<u>\$ 566,142</u>	<u>\$ 92,518</u>	<u>\$ 658,660</u>	<u>\$ 504,204</u>	<u>\$ 4,425</u>	<u>\$ 508,629</u>
<u>Expenditures/Expenses:</u>						
1.00 Customer Attraction	142,359	-	142,359	97,911	-	97,911
2.00 Public Way Aesthetics	123,291	-	123,291	123,164	-	123,164
4.00 Economic/Business Development	-	-	-	3,600	-	3,600
5.00 Safety Programs	135,396	-	135,396	129,250	-	129,250
6.00 SSA Management	18,750	-	18,750	22,503	-	22,503
7.00 Personnel	142,502	-	142,502	109,183	-	109,183
8.00 Loss Collection	-	-	-	-	-	-
Total expenditures/Expenses	<u>562,298</u>	<u>-</u>	<u>562,298</u>	<u>485,611</u>	<u>-</u>	<u>485,611</u>
(Deficiency) Excess of revenues over expenditures/expenses	3,844	(3,844)	-	18,593	(18,593)	-
Change in net position		96,362	96,362		23,018	23,018
Fund balance/net position beginning of the year	<u>133,165</u>	<u>519,347</u>	<u>652,512</u>	<u>114,572</u>	<u>514,922</u>	<u>629,494</u>
Fund balance/net position at end of the year	<u>\$ 137,009</u>	<u>\$ 611,865</u>	<u>\$ 748,874</u>	<u>\$ 133,165</u>	<u>\$ 519,347</u>	<u>\$ 652,512</u>

71st Stony Special Service Area # 42
Statements of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance and Activities
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Amounts reported for governmental activities in the statements of net position are different because:		
Net change in Fund balance - government funds	\$ 3,844	\$ 18,593
Property tax revenue is recognized in the period for which it is levied rather than when "available". A portion of the property tax is deferred as it is not available in the governmental funds.	<u>(92,518)</u>	<u>(4,425)</u>
Change in Net Position	<u>\$ 96,362</u>	<u>\$ 23,018</u>

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324 Ridgewood Drive

Bloomington, Illinois 60108

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
71st Stony Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)
Chicago, Illinois

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, which follows, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Bravos & Associates CPAs

April 25, 2018
Bloomington, Illinois

71st Stony Special Service Area # 42
Detail Schedule of Revenues and Expenditures
Budget and Actual - General Fund
Years ended December 31, 2017 and 2016

	2017			2016		
	Budget	Actual	Over (Under) Variance	Budget	Actual	Over (Under) Variance
Revenues:						
Property taxes	\$ 630,706	\$ 566,118	\$ (64,588)	\$ 489,424	\$ 504,192	\$ 14,768
TIF rebates	-	-	-	-	-	-
Other income	-	25	25	-	12	12
<u>Total revenues</u>	<u>\$ 630,706</u>	<u>\$ 566,142</u>	<u>\$ (64,564)</u>	<u>\$ 489,424</u>	<u>\$ 504,204</u>	<u>\$ 14,780</u>
Expenses & Programs:						
<u>1.00 Customer Attraction</u>						
1.01 Website and/or Social Media	\$ 1,500	\$ 1,044	\$ (456)	\$ 2,500	\$ 1,120	\$ (1,380)
1.02 Special Events	105,000	109,606	4,606	46,492	55,078	8,586
1.05 Decorative Banners	5,000	31,210	26,210	11,600	-	(11,600)
1.06 Holiday Decorations	15,000	-	(15,000)	5,000	37,313	32,313
1.07 Print Materials	750	-	(750)	750	-	(750)
1.08 Display Advertising	-	500	500	-	3,650	3,650
1.09 PR/Media Relations	-	-	-	-	750	750
<u>Totals</u>	<u>127,250</u>	<u>142,359</u>	<u>15,109</u>	<u>66,342</u>	<u>97,911</u>	<u>31,569</u>
<u>2.00 Public Way Aesthetics</u>						
2.02 Landscaping	32,000	32,000	-	23,600	20,099	(3,501)
2.03 Façade Enhancement Program	90,433	-	(90,433)	-	-	-
2.05 Streetscape Elements	5,000	-	-	-	-	-
2.07 Sidewalk Maintenance	70,000	72,366	2,366	80,000	79,499	(501)
2.10 City Permits	1,000	200	(800)	2,000	-	(2,000)
2.10 Snow Removal	40,000	18,725	(21,276)	38,000	23,566	(14,434)
<u>Totals</u>	<u>238,433</u>	<u>123,291</u>	<u>(110,142)</u>	<u>143,600</u>	<u>123,164</u>	<u>(20,436)</u>

71st Stony Special Service Area # 42
Detail Schedule of Revenues and Expenditures
Budget and Actual - General Fund
Years ended December 31, 2017 and 2016

	2017			2016		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
<u>Expenses & Programs:</u>						
<u>4.00 Economic/Business Development</u>						
4.01 Site Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4.09 SSA Designation	-	-	-	-	3,600	3,600
Totals	-	-	-	-	3,600	3,600
<u>5.00 Safety Programs</u>						
5.03 Security Patrol Services	142,708	135,396	(7,312)	133,000	129,250	(3,750)
<u>6.00 SSA Management</u>						
6.01 SSA Annual Report	-	-	-	500	500	-
6.02 SSA Audit	4,200	4,200	-	4,200	4,200	-
6.03 Bookkeeping	3,300	3,000	(300)	3,000	3,000	-
6.04 Office Rent	7,100	6,600	(500)	6,600	6,600	-
6.05 Office Utilities	1,200	1,200	-	1,500	1,500	-
6.06 Office Supplies	1,200	1,200	-	1,500	1,859	359
6.07 Office Equipment Lease/Maintenance	300	300	-	500	1,600	1,100
6.08 Office Printing	100	300	200	500	500	-
6.09 Postage	100	150	50	250	250	-
6.10 Meeting Expense	1,800	1,800	-	2,494	2,494	-
6.12 Banking Fees	-	-	-	-	-	-
6.14 Equipment Purchase Maintenance	-	-	-	1,100	-	(1,100)
Totals	19,300	18,750	(550)	22,144	22,503	359

71st Stony Special Service Area # 42
Summary Schedule of Revenue and Expenditures
Budget and Actual - General Fund
Years ended December 31, 2017 and 2016

	2017			2016		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
Revenues:						
Property taxes	\$ 630,706	\$ 566,118	\$ (64,588)	\$ 489,424	\$ 504,192	\$ 14,768
TIF rebates	-	-	-	-	-	-
Other income	-	25	25	-	12	12
Total revenues	<u>\$ 630,706</u>	<u>\$ 566,142</u>	<u>\$ (64,564)</u>	<u>\$ 489,424</u>	<u>\$ 504,204</u>	<u>\$ 14,780</u>
Expenses & Programs:						
1.00 Customer Attraction	\$ 127,250	\$ 142,359	\$ 15,109	\$ 66,342	\$ 97,911	\$ 31,569
2.00 Public Way Aesthetics	238,433	123,291	(110,142)	143,600	123,164	(20,436)
4.00 Economic/Business Development	-	-	-	-	3,600	3,600
5.00 Safety Programs	142,708	135,396	(7,312)	133,000	129,250	(3,750)
6.00 SSA Management	19,300	18,750	(550)	22,144	22,503	359
7.00 Personnel	103,015	142,502	39,487	109,183	109,183	-
8.00 Loss Collection	-	-	-	15,155	-	(15,155)
Total Expenditures	<u>630,706</u>	<u>562,298</u>	<u>(63,408)</u>	<u>489,424</u>	<u>485,611</u>	<u>(3,813)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>3,844</u>	<u>(3,844)</u>	<u>-</u>	<u>18,593</u>	<u>(18,593)</u>
Carryover	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenues in excess of expenditures	<u>\$ -</u>	<u>\$ 3,844</u>	<u>\$ (3,844)</u>	<u>\$ -</u>	<u>\$ 18,593</u>	<u>\$ (18,593)</u>

71st Stony Special Service Area # 42
Detail Schedule of Revenues and Expenditures
Budget and Actual - General Fund
Years ended December 31, 2017 and 2016

	2017			2016		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
<u>7.00 Personnel</u>						
7.01 Executive Director	\$ -	\$ 39,487	\$ 39,487	\$ 28,488	\$ 28,488	\$ -
7.02 Program Manager	62,398	62,398	-	50,504	50,504	-
7.03 Program Assistant	40,617	40,617	-	30,191	30,191	-
Totals	<u>103,015</u>	<u>142,502</u>	<u>39,487</u>	<u>109,183</u>	<u>109,183</u>	<u>-</u>
<u>8.00 Loss Collection</u>						
8.01 Loss collection	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,155</u>	<u>-</u>	<u>(15,155)</u>
Total Expenditures	<u>\$ 630,706</u>	<u>\$ 562,298</u>	<u>\$ (63,408)</u>	<u>\$ 489,424</u>	<u>\$ 485,611</u>	<u>\$ (3,813)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 3,844</u>	<u>\$ (3,844)</u>	<u>\$ -</u>	<u>\$ 18,593</u>	<u>\$ (18,593)</u>

71st Stony Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)
Notes to Financial Statements
December 31, 2017 and 2016

Summary of Accounting Policies

Nature of Reporting Entity

Special Service Area # 42 is a taxing district authorized by the City of Chicago located in Chicago, Illinois. Its scope of services is to fund various activities to improve and enhance the 71st & Stony commercial district. The SSA is funded by property taxes levied on properties within the SSA boundaries, which are collected by the Cook County Treasurer, and then distributed by the City of Chicago to the SSA.

Special Service Number 42 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with South Shore Chamber Economic Development Inc. to perform administrative duties as the service provider for this SSA during the reporting period. South Shore Chamber Economic Development Inc is an Illinois not-for-profit corporation that is exempt from federal income taxes under Section 501c6 of the Internal Revenue Code.

Basis of Presentation

The government-wide financial statements report information on all the activities of the Special Service Area. Governmental activities include those items funded by the tax levies. While separate governmental activities incorporate data from the governmental funds. The fund financial statements are on major governmental funds. The commission reports one major governmental fund, the General Fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and 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 for which they are levied.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes associated with the current fiscal period are susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are measurable and available only when cash is received by the Commission.

Budgetary Information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. The Commission submits a proposed operating budget for the fiscal year to the City of Chicago for approval. The operating budget includes proposed expenditures and the means of financing them for the General Fund. The annual appropriation lapses at fiscal yearend.

71st Stony Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)
Notes to Financial Statements
December 31, 2017 and 2016

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The commission's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows* of resources, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of Resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenues) until that time. The Commission has only one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item, *unavailable property tax revenue*, is reported in the governmental fund's balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Net Position Flow Assumption

To calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. It is the Commission's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions

Sometimes the Commission will fund outlays for a purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are applied. It is the Commission's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

71st Stony Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)
Notes to Financial Statements
December 31, 2017 and 2016

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Continued:

Fund Balance Policies

Fund balance of the governmental fund is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Commission that can, by adoption or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an individual or body to which the Commission delegates the authority. The Board of Directors may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 estimated 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 Cook County. Bills are issued and collected by Cook County who remits the Commission's share to the City of Chicago who then remits the monies to the Commission.

71st Stony Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)
Notes to Financial Statements
December 31, 2017 and 2016

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
Continued:

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

Comparative Data

As required by the City of Chicago, comparative data for the prior year has been presented in the statement of revenue and expenditures – budget and actual-general fund.

Detailed Notes on all Activities and Funds

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of December 31, 2017, the Commission's bank balance was \$ 133,711.

Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains its cash balances at three financial institutions in the Chicago metropolitan area, which are federally insured up to prescribed limits.

71st Stony Special Service Area Number 42
(South Shore Chamber Economic Development, Inc., Contractor)
Schedule of Audit Findings
December 31, 2017 and 2016

Finding # 1

We have reviewed the Agreement for Special Service Area Number 42 between the City of Chicago and the Contractor for the years ended December 31, 2017 and 2016.

We noted no exceptions