

SPECIAL SERVICE AREA #27
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

SPECIAL SERVICE AREA #27
(a taxing district authorized by the City of Chicago)

As of December 31, 2015

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 Actuals	5
<u>NOTES TO FINANCIAL STATEMENTS</u>	6-8
Summary Schedule of Audit Findings	9
<u>STATE OF ILLINOIS CPA LICENSE</u>	10



INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Lakeview Chamber of Commerce
Commissioners of Special Service Area #27
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Special Service Area #27 (a taxing district authorized by the City of Chicago) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Special Service Area #27 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #27 as of December 31, 2015 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 20, 2016

SPECIAL SERVICE AREA #27
(a taxing district authorized by the City of Chicago)
Managed by Lakeview Chamber of Commerce
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2015

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<u>Current Assets</u>			
Cash	\$ 118,989	\$ -	\$ 118,989
Property Tax Receivable, net of allowance for uncollectable taxes of \$29,066	697,576	-	697,576
Prepaid Expenses	2,736	-	2,736
Due from City of Chicago	3,244	-	3,244
TOTAL ASSETS	\$ 822,545	\$ -	\$ 822,545
 LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 11,025	\$ -	\$ 11,025
Due to Lakeview Chamber of Commerce	15,049	-	15,049
TOTAL LIABILITIES	26,074	-	26,074
 DEFERRED INFLOWS			
Deferred Property Tax Revenue	697,576	(697,576)	-
 FUND BALANCES / NET POSITION			
<u>Non-spendable:</u>			
Prepaid Items	2,736	(2,736)	-
<u>Committed:</u>			
	-	-	-
<u>Assigned:</u>			
	-	-	-
<u>Unassigned</u>			
	96,159	(96,159)	-
TOTAL FUND BALANCE	98,895	(98,895)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 822,545		
 <u>Net Position</u>			
Restricted		\$ 796,471	\$ 796,471

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

Total fund balance - governmental funds	\$ 98,895
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.	697,576
Total net position - governmental activities	\$ 796,471

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

SPECIAL SERVICE AREA #27
(a taxing district authorized by the City of Chicago)
Managed by Lakeview Chamber of Commerce
Statement of Activities and Governmental, Funds, Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2015

	2015		Statement of Activities
	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Activities</u>
REVENUES:			
Property Taxes	\$ 623,910	\$ 14,832	\$ 638,742
Interest Income	<u>38</u>	<u>-</u>	<u>38</u>
TOTAL REVENUE	<u>623,948</u>	<u>14,832</u>	<u>638,780</u>
EXPENSES:			
Services:			
Customer Attraction	123,756	-	123,756
Public Way Aesthetics	373,939	-	373,939
Sustainability & Public Places	82,522	-	82,522
Economic/Business Development	<u>8,330</u>	<u>-</u>	<u>8,330</u>
Total Services Expense	<u>588,547</u>	<u>-</u>	<u>588,547</u>
Administration:			
Personnel	115,110	-	115,110
Admin - nonpersonnel	<u>63,085</u>	<u>-</u>	<u>63,085</u>
Total Administration Expense	<u>178,195</u>	<u>-</u>	<u>178,195</u>
TOTAL EXPENSES	<u>766,742</u>	<u>-</u>	<u>766,742</u>
Excess of revenues over expenditures	(142,794)	142,794	
Change in Net Position		(127,962)	(127,962)
FUND BALANCE/NET POSITION			
Beginning of the Year	<u>241,689</u>	<u>682,744</u>	<u>924,433</u>
End of the Year	<u>\$ 98,895</u>	<u>\$ 697,576</u>	<u>\$ 796,471</u>

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

Net change in Fund balance - governmental funds	\$ (142,794)
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>14,832</u>
Change in net position	<u>\$ (127,962)</u>

SPECIAL SERVICE AREA #27
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Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2015 and 2014

	2015			2014		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES:						
Property Taxes	\$ 724,843	\$ 614,259	\$ (110,584)	\$ 745,220	\$ 778,618	\$ 33,398
Interest Income	-	38	38	-	43	43
Late Collection	20,000	9,651	(10,349)	-	-	-
Loss Collection	(38,000)	-	38,000	(10,000)	-	10,000
TOTAL REVENUE	<u>706,843</u>	<u>623,948</u>	<u>(82,895)</u>	<u>735,220</u>	<u>778,661</u>	<u>43,441</u>
EXPENSES:						
Customer Attraction	159,200	123,756	(35,444)	-	-	-
Public Way Aesthetics	394,690	373,939	(20,751)	291,500	261,823	(29,677)
Sustainability & Public Places	83,100	82,522	(578)	-	-	-
Economic & Business Development	9,100	8,330	(770)	-	-	-
Safety Programs	3,000	-	(3,000)	1,000	-	(1,000)
Advertising & Promotion	-	-	-	165,500	158,452	(7,048)
Public Way Maintenance	-	-	-	94,000	89,217	(4,783)
Tenant Retention/Attraction	-	-	-	2,000	-	(2,000)
Façade Improvements	-	-	-	26,000	13,095	(12,905)
Parking/Transit/Accessibility	-	-	-	5,000	3,853	(1,147)
District Planning	-	-	-	23,000	23,000	-
SSA Mgt./Admin. Non-Personnel	69,300	63,085	(6,215)	38,220	38,220	-
Personnel	128,043	115,110	(12,933)	141,000	141,000	-
TOTAL EXPENSES	<u>846,433</u>	<u>766,742</u>	<u>(79,691)</u>	<u>787,220</u>	<u>728,660</u>	<u>(58,560)</u>
Excess of Revenues Over Expenses	<u>\$ (139,590)</u>	<u>\$ (142,794)</u>	<u>\$ (3,204)</u>	<u>\$ (52,000)</u>	<u>\$ 50,001</u>	<u>\$ 102,001</u>

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

SPECIAL SERVICE AREA #27
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Managed by Lakeview Chamber of Commerce
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

Reporting Entity: Special Service Area #27 (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).

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'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.

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 #27
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, the allowance is estimated to be 4% of the outstanding property taxes.

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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 SSA 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 a 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 YEAR ENDED DECEMBER 31, 2015

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 of \$3,244 consists of property taxes received in 2016 for 2015.

4. Related Party Transactions

The SSA is affiliated with the Lakeview Chamber of Commerce, which provides certain administrative services for the SSA. As of December 31, 2015, \$15,049 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.

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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 #27 between the City of Chicago and Lakeview Chamber of Commerce.

Per Article 5.03, the Contractor established a separate bank account in Chicago, Illinois. All service tax funds were automatically deposited into this bank account.

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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FOR THE YEAR ENDED DECEMBER 31, 2015

