

Special Service Area 48
(a taxing district authorized by the City of Chicago)
Managed by Old Town Merchants And Residents Association

Financial Statements
December 31, 2017 and 2016

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Managed by Old Town Merchants and Residents Association
Financial Statements
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Independent Auditor's Report

To the Commissioners of
Special Service Area 48
Managed by Old Town Merchants and Residents Association

We have audited the accompanying financial statements of Special Service Area 48, which comprise the statements of net position and governmental fund balance sheets as of December 31, 2017 and 2016, and the related statements of activities and governmental fund / revenues, expenditures and changes in fund balances for the years 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 net position of Special Service Area 48 as of December 31, 2017 and 2016, and its statements of activities and governmental fund / revenues, expenditures and changes in fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Predecessor Auditor

The accompanying financial statement of Special Service Area 48, which comprise of statement of net position and governmental fund balance sheet as of December 31, 2016 and related statement of activities and governmental fund, Revenue, Expenditures and Changing in Fund Balance for the year then ended, and the related notes to the financial statement were audited by another audit firm. The predecessor audit firm issued an unmodified report on March 24, 2017 related to the December 31, 2016 financial statements, which contained Other Matters paragraphs related to the same matters as reported below.

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 schedule of revenues and expenditures - budget and actual on page 10 and 11, 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 11, 2018

Special Service Area 48
Managed by Old Town Merchants and Residents Association
Statements of Net Position and
Governmental Fund Balance Sheets
December 31, 2017 and 2016

	2017			2016		
	Governmental Fund	Adjustments	Statement of Net Position	Governmental Fund	Adjustments	Statement of Net Position
ASSETS						
Cash and cash equivalents	\$ 94,346	\$ -	\$ 94,346	\$ 86,879	\$ -	\$ 86,879
Property tax receivable, net allowance for uncollectable taxes of \$8,000 and \$7,353	190,218	-	190,218	175,506	-	175,506
Total Assets	\$ 284,564	\$ -	\$ 284,564	\$ 262,385	\$ -	\$ 262,385
LIABILITIES						
Accounts payable and accrued expenses	\$ 13,003	\$ -	\$ 13,003	\$ 10,065	\$ -	\$ 10,065
Total Liabilities	13,003	-	13,003	10,065	-	10,065
DEFERRED INFLOWS						
Deferred property tax revenue	190,218	(190,218)	-	122,417	(122,417)	-
Total Deferred Inflows	190,218	(190,218)	-	122,417	(122,417)	-
FUND BALANCE / NET POSITION						
Committed:						
Public way maintenance	-	-	-	17,384	(17,384)	-
Unassigned	81,343	(81,343)	-	112,519	(112,519)	-
Total Fund Balance	81,343	(81,343)	-	129,903	(129,903)	-
Total Liabilities, Deferred Inflows and Fund Balance	\$ 284,564			\$ 262,385		
Net Position - Unrestricted		\$ (271,561)	\$ 271,561		\$ (252,320)	\$ 252,320

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

Total fund balance - governmental funds	\$ 81,343	\$ 129,903
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.	190,218	122,417
Total net position - governmental activities	\$ 271,561	\$ 252,320

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

Special Service Area 48
Managed by Old Town Merchants and Residents Association
Statements of Activities and Governmental Fund,
Revenues, Expenditures
and Changes in Fund Balances
December 31, 2017 and 2016

	2017			2016		
	Governmental fund	Adjustments	Statement of Activities	Governmental fund	Adjustments	Statement of Activities
REVENUES						
Property taxes - net of allowance	\$ 124,534	\$ 67,801	\$ 192,335	\$ 210,271	\$ (32,748)	\$ 177,523
Interest	-	-	-	5	-	5
Total Revenues	124,534	67,801	192,335	210,276	(32,748)	177,528
EXPENDITURES						
Customer attraction	3,500	-	3,500	-	-	-
Public way aesthetics	81,516	-	81,516	83,103	-	83,103
Sustainability and public places	10,072	-	10,072	12,116	-	12,116
Economic / business development	1,950	-	1,950	-	-	-
Safety programs	45,052	-	45,052	37,906	-	37,906
Personnel	25,632	-	25,632	25,632	-	25,632
Administration	5,372	-	5,372	2,470	-	2,470
Total expenditures	173,094	-	173,094	161,227	-	161,227
Excess of revenues over expenditures	(48,560)	67,801	19,241	49,049	(32,748)	16,301
Change in Net Position	(48,560)	67,801	19,241	49,049	(32,748)	16,301
Fund Balance/Net Position						
Beginning of the Year	129,903	122,417	252,320	80,854	155,165	236,019
End of the Year	<u>\$ 81,343</u>	<u>\$ 190,218</u>	<u>\$ 271,561</u>	<u>\$ 129,903</u>	<u>\$ 122,417</u>	<u>\$ 252,320</u>

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

Net change in Fund balance - governmental funds	\$ (48,560)	\$ 49,049
Property tax is recognized in the year it is levied rather than when it is available for governmental funds	67,801	(32,748)
Change in Net Position	<u>\$ 19,241</u>	<u>\$ 16,301</u>

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

Special Service Area 48
(a taxing district authorized by the City of Chicago)
Managed by Old Town Merchants and Residents Association
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 1 – Nature of Activities and reporting entity

Special Service Area 48 is a taxing district authorized by City of Chicago located in Chicago, Illinois. Its scope of services is to fund various activities to improve and enhance the Old Town Merchants and Residents Association commercial district. The SSA is funded by property tax 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 Area 48 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with the Old Town Merchants and Residents Association commercial district to perform administrative duties as the service provider for this SSA during the reporting period. Old Town Merchants and Residents Association is an Illinois not-for-profit corporation, exempt from federal taxes under Section 501c(6) of the Internal Revenue Code.

Special Service Area 48 is roughly bounded by Wells Street from Schiller Avenue to North Avenue and North Avenue from LaSalle Street to Orleans Street. Special Services authorized in Establishment Ordinance include maintenance and beautification activities; security programs; recruitment and promotion of new businesses in the area and retention and promotion of existing businesses in the area; coordinated marketing and promotional activities; strategic planning for the general development of the area; financing of storefront façade and signage improvements; parking and transit programs; and other technical assistance activities to promote commercial and economic development, including, but not limited to, enhanced local land use oversight and control initiatives, community service and predevelopment costs.

NOTE 2 – Summary of Significant Accounting Policies

a. Governmental-Wide and Fund Financial Statements

Special Service Area 48
(a taxing district authorized by the City of Chicago)
Managed by Old Town Merchants and Residents Association
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 2 – Summary of Significant Accounting Policies – (Continued)

The financial statements of the SSA have been prepared in conformity with 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 establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

Government-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.

b. 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, 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

Special Service Area 48
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Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 2 – Summary of Significant Accounting Policies – (Continued)

b. Measurement Focus, Basis of Accounting and Financial Statement Presentation - (continued)

subsequent to year-end. Expenditures are recorded when the liability is incurred.

The presentation of financial statements 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.

c. Assets, Liabilities and Net Position

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

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its

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Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 2 – Summary of Significant Accounting Policies – (Continued)

Fund Equity/Net Position – (Continued)

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 the resolutions. Assigned fund balances is a limitation imposed by a designee of the SSA board.

Unassigned fund balance is the net resources 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 used 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 compromised 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.

d. Subsequent Events

Subsequent events have been evaluated through April 11, 2018, which is the date the financial statements were available to be issued.

Special Service Area 48
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Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 3 – Cash and Cash Equivalents

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, 2017 and 2016.

NOTE 4 – 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.

NOTE 5 – Deferred Inflows of Revenue

A deferred inflow of property tax revenue represents an acquisition of fund balance that applies to a future period and therefore will not be recognized as an inflow of revenue until that future time.

NOTE 6 – Related Party Transactions

The SSA is affiliated with Old Town Merchants and Residents Association, which provides certain administrative services for the SSA. As of December 31, 2017 and 2016 \$25,633 and \$25,633, respectively was paid for services provided during the year.

Supplementary Information

Special Service Area 48
Managed by Old Town Merchants and Residents Association
Schedule of Revenues and
Expenditures - Budget and Actual
December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Property revenues and interest - current year	\$ 194,693	\$ 124,534	\$ 70,159
Total revenues	194,693	124,534	70,159
EXPENDITURES			
Customer attraction	26,540	3,500	23,040
Public way aesthetics	119,111	81,516	37,595
Sustainability and public places	22,408	10,072	12,336
Economic / business development	-	1,950	(1,950)
Safety programs	47,526	45,052	2,474
Personnel	25,633	25,632	1
Administration	8,475	5,372	3,103
Total expenditures	249,693	173,094	76,599
Excess of revenues over expenditures	<u>\$ (55,000)</u>	<u>\$ (48,560)</u>	<u>\$ (6,440)</u>
CARRYOVER	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Net revenues in excess of expenses	<u>\$ -</u>	<u>\$ (48,560)</u>	<u>\$ 48,560</u>

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

Special Service Area 48
Managed by Old Town Merchants and Residents Association
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	\$ 208,332	\$ 210,276	\$ (1,944)
Total revenues	208,332	210,276	(1,944)
EXPENDITURES			
Customer attraction	21,540	-	21,540
Public way aesthetics	101,254	83,103	18,151
Sustainability and public places	19,125	12,116	7,009
Safety programs	41,000	37,906	3,094
Personnel	25,633	25,633	-
Administration	6,625	2,469	4,156
Total expenditures	215,177	161,227	53,950
Excess of revenues over expenditures	<u>\$ (6,845)</u>	<u>\$ 49,049</u>	<u>\$ (55,894)</u>
CARRYOVER	<u>6,845</u>	<u>-</u>	<u>6,845</u>
Net revenues in excess of expenses	<u>\$ -</u>	<u>\$ 49,049</u>	<u>\$ (49,049)</u>

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

Special Service Area 48
(a taxing district authorized by the City of Chicago)
Managed by Old Town Merchants and Residents Association
Summary Schedule of Findings
For the Year Ended December 31, 2017

Summary Schedule of Findings

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 Service Provider Agreement. After conducting the audit, we determined that the two below exceptions were noted.

Findings and Questioned Costs

Special Service Area 48 shows a carryover in excess of the 25% of the annual 2017 budget, due to the continued anticipation of groundbreaking for a capital infrastructure improvement within the Special Service Area.

Corrective Action Plan

Special Service Area 48 shows a carryover due to the continued anticipation of groundbreaking for a capital infrastructure improvement within the Special Service Area. The Commission of Special Service Area 48 approved, at the July 18, 2011 meeting, a motion to dedicate \$100,000 for public way aesthetics and public way infrastructure in Burton Place, which resides 100% within the Special Service Area. Since then the Burton Place Committee, which is made up of members of the Special Service Area 48 Commission and the Old Town Merchants and Residents Association Board have been working tirelessly to complete plans for the improvements. As with any capital project, planning takes a long time and design and execution are lengthy processes; especially when situated in the public way. Given that the SSA's sole service provider (Old Town Merchants and Residents Association) was not fully staffed for parts of 2017, progress on the Burton Place project was stalled. This project has since resumed under the leadership of our new staff. The Commission of Special Service Area 48 is confident that the monies dedicated to the Burton Place project will be spent at the end of the 2018 budget cycle.

Special Service Area 48
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Summary Schedule of Findings
For the Year Ended December 31, 2017

Summary Schedule of Findings – (Continued)

Findings and Questioned Costs

Expended funds from the budget category – Economic / business development - that did not have an approved 2017 budget amount.

Corrective Action Plan

The Commission of Special Service Area 48 will pay particularly close attention when creating and approving the annual budgets as well as any annual spending.

State of Illinois

Department of Financial and Professional Regulation
Division of Professional Regulation

LICENSE NO.
066.003986
065.029428

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES:
11/30/2018

**PUBLIC ACCOUNTING FIRM
BUSINESS CORPORATION**

**EILTS & ASSOCIATES INC
3711 N RAVENSWOOD 105
CHICAGO, IL 60613**



Bryan A. Schneider

BRYAN A. SCHNEIDER
SECRETARY

Jay Stewart

JAY STEWART
DIRECTOR

The official status of this license can be verified at www.idfpr.com

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