

SPECIAL SERVICE AREA NUMBER 56

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2015

SPECIAL SERVICE AREA NUMBER 56

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FOR THE YEAR ENDING DECEMBER 31, 2015

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Independent Auditor's Report

To the Commissioners of Special Service Area Number 56

We have audited the accompanying financial statements of Special Service Area Number 56 ("SSA), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the SSA's basic financial statements as listed in the table of contents.

The financial statements presented to present only the Special Service Area Number 56, and do not purport to, and do not present fairly the financial position of Quad Communities Development Corporation, as of December 31, 2015 and the changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area Number 56 as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principle generally accepted in the United States of America requires that the statement of revenues and expenditures-budget and actual on pages 9 to 11 be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient to evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SSA's basic financial statements. The summary schedule of findings is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The summary schedule of findings is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summary schedule of findings is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The summary schedule of findings has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Alexander Mannes & Company, P.C.

Matteson, Illinois

April 18, 2016

SPECIAL SERVICE AREA NUMBER 56

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

AS OF DECEMBER 31, 2015

<u>ASSETS</u>	Governmental Fund	Adjustments	Statement of Net Position
Cash	\$ 57,722	\$ -	\$ 57,722
Property tax receivables, net of allowance	123,543	-	123,543
Due to affiliate - QCDC	<u>569</u>	<u>-</u>	<u>569</u>
Total Assets	<u>\$ 181,834</u>	<u>\$ -</u>	<u>\$ 181,834</u>
 <u>LIABILITIES</u>			
Accounts payable	<u>\$ 7,585</u>	<u>\$ -</u>	<u>\$ 7,585</u>
Total Liabilities	<u>7,585</u>	<u>-</u>	<u>7,585</u>
 <u>DEFERRED INFLOWS</u>			
Deferred property tax revenue	96,223	(96,223)	-
 <u>FUND BALANCES/NET POSITION</u>			
Unassigned	<u>78,026</u>	<u>(78,026)</u>	<u>-</u>
Total Fund Balance	<u>78,026</u>	<u>(78,026)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 181,834</u>		
 Net Position			
Restricted		<u>174,249</u>	<u>174,249</u>
Total Net Position		<u>\$ 174,249</u>	<u>\$ 174,249</u>
 Amounts reported for governmental activities in the statement of net position are different because:			
Total fund balance-governmental funds			\$ 78,026
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>96,223</u>
Total net position-governmental activities			<u>\$ 174,249</u>

The accompany notes are an integral part of these financial statements.

SPECIAL SERVICE AREA NUMBER 56

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2015

REVENUE:	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Tax levy revenue	\$ 100,385	\$ 4,246	\$ 104,631
Interest income	<u>4</u>	<u>-</u>	<u>4</u>
Total Revenue	<u>100,389</u>	<u>4,246</u>	<u>104,635</u>
 EXPENDITURES/EXPENSES:			
Customer Attraction	18,542	-	18,542
Public Way Aesthetics	27,258	-	27,258
SSA Management	5,230	-	5,230
Personnel	19,576	-	19,576
Loss collection	<u>1,040</u>	<u>-</u>	<u>1,040</u>
Total Expenditures/Expenses	<u>71,646</u>	<u>-</u>	<u>71,646</u>
Excess of revenues over expenditures	28,743	(28,743)	-
Change in Net Position	-	32,989	32,989
Fund Balance/Net Position:			
Beginning of year	<u>49,283</u>	<u>91,977</u>	<u>141,260</u>
End of year	<u>\$ 78,026</u>	<u>\$ 96,223</u>	<u>174,249</u>

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

Net change in fund balance-governmental fund	\$ 28,743
Property tax revenue is recognized in the year it is levied rather than when it is available for government funds	<u>4,246</u>
Change in net position-governmental activities	<u>\$ 32,989</u>

The accompany notes are an integral part of these financial statements.

SPECIAL SERVICE AREA NUMBER 56

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Note 1 - Summary of Significant Accounting Policies

(a) Reporting Entity

Special Service Area 56 (“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) (3) of the internal revenue code.

(b) Government-Wide and Fund Financial Statements

The financial statements of 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 accrued 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.

(c) Measurement Focus, Basic 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 subsequent to year-end. Expenditures are recorded when the liability is incurred.

SPECIAL SERVICE AREA NUMBER 56

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

(c) Measurement Focus, Basic of Accounting and Financial Statement Presentation
(continued)

The preparation 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. According, actual results could differ from those estimates.

(d) Assets, Liabilities, and Net Position

Cash, cash equivalents and investments

The SSA's cash and cash equivalent 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. Presently, SSA does not have any short-term investments.

Receivables

All property tax receivables are shown net of allowances. As of December 31, 2015, the SSA does not have an allowance for property tax receivable.

Prepaid items

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

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 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 the net resources in excess of what can be properly classified in one of the above four categories.

SPECIAL SERVICE AREA NUMBER 56

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

(d) Assets, Liabilities, and Net Position (continued):

Fund Equity/Net Position (continued)

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 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.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents are subject to custodial credit risk in the event of a bank failure, the SSA's deposit may not be returned. The SSA maintains its cash in bank deposit, at times, may exceed FDIC insured limits. The amount of cash that exceed FDIC insured limits is \$0 as of December 31, 2015.

Note 3 - Property Taxes

Property taxes become an enforceable lien on the 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.

SPECIAL SERVICE AREA NUMBER 56

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2015

Note 4 - Related Party Transactions

SSA is affiliate with Quad Communities Development Corporation, which provides certain administrative services for SSA. As of December 31, 2015, \$569 was receivable 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.

SUPPLEMENTARY INFORMATION

SPECIAL SERVICE AREA NUMBER 56

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2015

	Budget	Actual	Variance
REVENUE:			
Property taxes	\$ 100,437	\$ 100,385	\$ (52)
Late collections	5,022	-	(5,022)
Interest Income	-	4	4
	<u>105,459</u>	<u>100,389</u>	<u>(5,070)</u>
EXPENDITURES:			
Customer Attraction			
Website	500	-	(500)
Special events	2,000	11,888	9,888
Holiday decorations	5,000	6,654	1,654
PR/media relations	1,000	-	(1,000)
Other:	425	-	(425)
	<u>8,925</u>	<u>18,542</u>	<u>9,617</u>
Public Way Aesthetics			
Landscaping (plants, watering, etc.)	3,000	-	(3,000)
Façade enhancement program-rebates	30,000	706	(29,294)
Streetscape elements (include capital installation, maintenance)	3,494	-	(3,494)
Public art	5,000	5,000	-
Sidewalk maintenance	25,000	21,552	(3,448)
Other:	3,325	-	(3,325)
	<u>69,819</u>	<u>27,258</u>	<u>(42,561)</u>
SSA Management			
SSA annual report	500	424	(76)
Audit	2,500	2,500	-
Bookkeeping	1,500	1,500	-
Meeting Expense	1,000	180	(820)
Liability/property insurance	300	300	-
Other:	290	326	36
	<u>6,090</u>	<u>5,230</u>	<u>(860)</u>
Personnel			
Personnel cost	19,643	19,576	(67)
Other:	982	-	(982)
	<u>20,625</u>	<u>19,576</u>	<u>(1,049)</u>
Loss Collections			
Loss collections	-	1,040	1,040
	<u>-</u>	<u>1,040</u>	<u>1,040</u>
Total Expenditures			
	<u>105,459</u>	<u>71,646</u>	<u>(33,813)</u>
Excess of Revenues Over Expenses	\$ -	\$ 28,743	\$ 28,743

See independent auditor's report on supplemental information.

SPECIAL SERVICE AREA NUMBER 56

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE:			
Property taxes	\$ 100,440	\$ 105,304	\$ 4,864
Late collections	5,000	-	(5,000)
Interest Income	<u>-</u>	<u>2</u>	<u>2</u>
Total Revenue	105,440	105,306	(134)
EXPENDITURES:			
Advertising & Promotion			
Website and social media	500	-	(500)
Special events	1,000	100	(900)
Display advertising	1,640	-	(1,640)
Print materials	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Total Advertising & Promotion	3,140	1,300	(1,840)
Public Way Maintenance			
Sidewalk cleaning	<u>15,000</u>	<u>21,236</u>	<u>6,236</u>
Total Public Way Maintenance	15,000	21,236	6,236
Public Way Aesthetics			
Streetscape elements (include capital installation, maintenance)	-	6,613	6,613
Decorative banner and /or holiday decorations	10,000	10,968	968
Public art	6,000	4,265	(1,735)
Landscaping (plants, watering, etc.)	<u>5,000</u>	<u>5,806</u>	<u>806</u>
Total Public Way Aesthetics	21,000	27,652	6,652
Façade Improvements			
Façade enhancement program-rebates	<u>21,000</u>	<u>8,970</u>	<u>(12,030)</u>
Total Façade Improvements	21,000	8,970	(12,030)
Safety Program			
Security services	-	-	-
Safety lighting/tree pruning	-	795	795
Safety improvement program-rebates	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total Parking/Transit/Accessibility	10,000	795	(9,205)
SSA District Planning			
SSA designation	<u>-</u>	<u>9,947</u>	<u>9,947</u>
Total SSA District Planning	-	9,947	9,947
Personnel			
Personnel cost	<u>15,076</u>	<u>15,076</u>	<u>-</u>
Total Personnel	15,076	15,076	-

See independent auditor's report on supplemental information.

SPECIAL SERVICE AREA NUMBER 56

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Admin. Non-Personnel			
SSA annual report	424	424	-
Audit	2,000	2,000	-
Bookkeeping	1,500	1,500	-
Office rent	1,000	1,000	-
Office utilities	500	500	-
Office supplies	250	250	-
Office printing	50	50	-
Postage	250	54	(196)
Meeting Expense	300	574	274
Bank fees	50	566	516
Miscellaneous	350	-	(350)
Other: liability insurance	50	54	4
Other: training and development	-	904	904
	<u>6,724</u>	<u>7,876</u>	<u>1,152</u>
Total Admin Non-Personnel			
Loss collection-	8,500	-	(8,500)
Loss collection- thereon	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total Loss Collections	13,500	-	(13,500)
Total Expenditures	<u>105,440</u>	<u>92,852</u>	<u>(12,588)</u>
Excess of Revenues Over Expenses	<u>\$ -</u>	<u>\$ 12,454</u>	<u>\$ 12,454</u>

See independent auditor's report on supplemental information.

SPECIAL SERVICE AREA NUMBER 56

SUMMARY SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2015

We have read the requirements of the Service Provider Agreement between Quad Communities Development Corporation, Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

The total revenues used during the year ended December 31, 2015, were made available from the budgeted sources in amounts specified in the budget.

FINDING:

1. Customer Attraction Over Budget

Total Customer Attraction was over budget by \$9,617. However, the over budget did not cause the total actual expenditures to exceed the total budgeted expenditures during the year.

Recommendation

We recommend that SSA adhered to the budget policy of moving budget dollars between fund categories to avoid a fund category to be over budget.

Response

We concurred with the finding and will follow the budget policy of moving budget dollars between fund categories to avoid a fund category to be over budget.