



Benford Brown & Associates

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SPECIAL SERVICE AREA NO. 56

Financial Statements

Years ended December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

SPECIAL SERVICE AREA NO. 56

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Independent Auditors' Report

The Board of Directors of
Special Service Area No. 56:

We have audited the accompanying financial statements of Special Service Area No. 56 (SSA #56) (a taxing district authorized by the City of Chicago), which comprise the statements of net position and governmental funds balance sheets as of December 31, 2018 and 2017; the related statements of activities and governmental funds, revenues, expenditures 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 and standards applicable to financial audits contained in the Special Service Area Program Guide, issued by the City of Chicago Department of Planning and Development. 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 SSA #56'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 its 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 unmodified opinions.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and major fund of the SSA #56 as of December 31, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

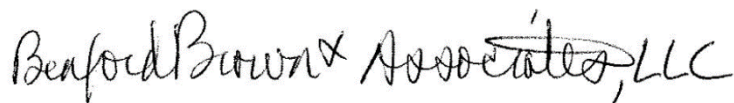
As discussed in Note 1, the financial statements of SSA #56 are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and major fund of SSA #56 that is attributable to the transactions of SSA #56. They do not purport to, and do not present fairly the financial position of the City of Chicago as of December 31, 2018 and 2017 and the changes in its activities for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis (MD&A) 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 (GASB), 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.

Accounting principles generally accepted in the United States of America require that the statement of revenues and expenditures - budget and actual, on pages 7 through 10, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB 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.



Benford Brown & Associates, LLC
Chicago, IL
September 30, 2019

SPECIAL SERVICE AREA NO. 56

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2018

Assets	2018		Statement of net position
	Governmental funds	Adjustments	
Current assets:			
Cash	\$ 9,649	\$ -	\$ 9,649
Property tax receivables (less: allowance for loss collections of \$14,742 for FY2018 and \$8,192 for FY2017)	104,190	-	104,190
Due from affiliate-QCDC (note 5)	3,853	-	3,853
Total assets	\$ 117,692	\$ -	\$ 117,692
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 22,062	\$ -	\$ 22,062
Accrued expenses	-	-	-
Due to affiliate-QCDC (note 5)	-	-	-
Total liabilities	22,062	-	22,062
Deferred inflows of resources:			
Deferred property tax revenue (note 4)	67,724	(67,724)	-
Fund balance/net position:			
Unassigned	27,906	(27,906)	-
Total fund balance	27,906	(27,906)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 117,692		
Net position:			
Unrestricted		\$ 95,630	\$ 95,630
Amount reported for governmental activities in the statement of net position are different because:			
Total fund balance - governmental funds			<u>\$ 27,906</u>
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 fund.			<u>67,724</u>
Total net position - governmental activities			<u>\$ 95,630</u>

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

SPECIAL SERVICE AREA NO. 56

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2017

<u>Assets</u>	2017		Statement of net position
	Governmental funds	Adjustments	
Current assets:			
Cash	\$ 7,254	\$ -	\$ 7,254
Property tax receivables (less: allowance for loss collections of \$8,192 for FY2017 and \$0 for FY2016)	98,210	-	98,210
Due from affiliate-QCDC (note 5)	14,803	-	14,803
Total assets	\$ 120,267	\$ -	\$ 120,267
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 15,503	\$ -	\$ 15,503
Total liabilities	15,503	-	15,503
Deferred inflows of resources:			
Deferred property tax revenue (note 4)	98,210	(98,210)	-
Fund balance/net position:			
Unassigned	6,554	(6,554)	-
Total fund balance	6,554	(6,554)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 120,267		
Net position:			
Unrestricted		\$ 104,764	\$ 104,764
Amount reported for governmental activities in the statement of net position are different because:			
Total fund balance - governmental funds			\$ 6,554
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 fund.			98,210
Total net position - governmental activities			\$ 104,764

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

SPECIAL SERVICE AREA NO. 56

Statement of Activities and Governmental Funds, Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2018

	2018		
	Governmental funds	Adjustments	Statement of activities
Revenue:			
Property tax revenue (note 3)	\$ 138,297	\$ (30,486)	\$ 107,811
Late collections	5,639	-	5,639
Interest income	16	-	16
Total revenue and other support	143,952	(30,486)	113,466
Expenditures:			
Customer Attraction	20,405	-	20,405
Public Way Aesthetics	46,720	-	46,720
Sustainability and Public Places	-	-	-
Economic/Business Development	3,350	-	3,350
Safety Programs	-	-	-
SSA Management	8,903	-	8,903
Personnel	16,497	-	16,497
Loss Collection	26,725	-	26,725
Total expenditures	122,600	-	122,600
Excess/(deficiency) of revenue over expenditures	21,352	(21,352)	
Decrease in net position		(9,134)	(9,134)
Fund balance/net position as of January 1, 2018	6,554	98,210	104,764
Fund balance/net position as of December 31, 2018	\$ 27,906	\$ 67,724	\$ 95,630

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

Increase in fund balance - governmental funds	<u>\$ 21,352</u>
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>(30,486)</u>
Net change in net position - governmental activities	<u>\$ (9,134)</u>

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

SPECIAL SERVICE AREA NO. 56

Statement of Activities and Governmental Funds, Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2017

	2017		
	Governmental funds	Adjustments	Statement of activities
Revenue:			
Property tax revenue (note 3)	\$ 105,851	\$ 377	\$ 106,228
Late collections	1,688	-	1,688
Interest income	5	-	5
Total revenue and other support	107,544	377	107,921
Expenditures:			
Customer Attraction	23,030	-	23,030
Public Way Aesthetics	56,171	-	56,171
Sustainability and Public Places	2,811	-	2,811
Economic/Business Development	21,801	-	21,801
Safety Programs	250	-	250
SSA Management	12,471	-	12,471
Personnel	13,155	-	13,155
Loss Collection	16,449	-	16,449
Total expenditures	146,138	-	146,138
Excess/(deficiency) of revenue over expenditures	(38,594)	38,594	
Decrease in net position		(38,217)	(38,217)
Fund balance/net position as of January 1, 2018	45,148	97,833	142,981
Fund balance/net position as of December 31, 2018	\$ 6,554	\$ 98,210	\$ 104,764

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

Decrease in fund balance - governmental funds	<u>\$ (38,594)</u>
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>377</u>
Net change in net position - governmental activities	<u>\$ (38,217)</u>

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

SPECIAL SERVICE AREA NO. 56

Notes to the Financial Statements

Year ended December 31, 2018 and 2017

(1) Organization Description

Special Service Area No. 56 (SSA #56) was created by ordinance of the Chicago City Council and is funded annually by property taxes levied on properties within the SSA's boundaries. The property taxes are collected by the Cook County Treasurer, and then distributed by the City of Chicago to SSA #56.

SSA #56 was established to provide various services including but not limited to: public way maintenance and beautification; district marketing and advertising; business retention/attraction, special events and promotional activities; auto and bike transit; security; façade improvements; and other commercial and economic development initiatives for the south lakefront communities of North Kenwood, Oakland, Douglas and Grand Boulevard.

SSA #56 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with Quad Cities Community Development Corporation (QCDC) to perform administrative duties as the service provider for SSA #56 for 2018. QCDC is an Illinois not-for-profit corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(2) Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The financial statements of SSA #56 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 U.S. GAAP. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

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 SSA #56's activities. The Fund Financial Statements, which focus on SSA #56's governmental funds current financial resources measurement focus, are prepared on the modified accrual basis. SSA #56 accounts for its activities in one fund, its general fund.

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.

SPECIAL SERVICE AREA NO. 56

Notes to the Financial Statements

Year ended December 31, 2018 and 2017

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 sixty (60) days subsequent to year-end. Expenditures are recorded when the liability is incurred.

The preparation of financial statements in conformity with U.S. GAAP 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.

Cash, Cash Equivalents and Investments

SSA #56'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. SSA #56 did not have any short-term investments as of December 31, 2018 and 2017.

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. SSA #56 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, 2018 and 2017.

Receivables

All property tax receivables are shown net of allowances. The allowance was estimated to be 13.8% and 7.7%, respectively, of outstanding property taxes for fiscal years 2018 and 2017.

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 non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by enabling

SPECIAL SERVICE AREA NO. 56

Notes to the Financial Statements

Year ended December 31, 2018 and 2017

legislation or an outside party. Committed fund balance is a limitation imposed by SSA #56's board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the SSA #56 board. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above four (4) 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 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.

(3) Budgetary Information

SSA #56 follows these procedures in establishing the budgetary data reflected in the financial statements:

- By mid-March the SSA Manager submits to SSA #56's Board of Commissioners a proposed operating budget for the following year commencing January 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
- By mid-July the final budget is submitted to the City of Chicago for review and approval.
- During December the budget is legally enacted through passage of an appropriation ordinance.
- The SSA #56 is authorized to make budget revisions however they cannot alter the total expenditures within assigned expense categories within the general fund and must be approved by SSA #56's Board of Commissioners. The budget was amended this year.
- Formal budgetary integration is employed as a management control device during the year.
- A budget for the General Fund is adopted on a basis consistent with U.S. GAAP.
- The SSA #56 budgets revenue, expenditures/expenses and transfers based on anticipated funds to be received. Budgets reflect gains or losses, by fund, for each fiscal year.

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Notes to the Financial Statements

Year ended December 31, 2018 and 2017

(4) 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 SSA #56's share to the City. The City then remits the monies collected from Cook County to SSA #56.

(5) Deferred Revenue

A deferred inflow of resources/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 resources (revenue) until that future time.

(6) Related Party Transactions

SSA #56 is affiliated with Quad Communities Development Corporation, which provides certain administrative services for SSA #56. As of December 31, 2018, \$3,853 was receivable from QCDC. As of December 31, 2017, \$8,301 was payable to QCDC. The balances resulted from the time difference 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.

(7) Subsequent Events

For the fiscal year ending December 31, 2018, SSA #56's management has evaluated subsequent events through September 30, 2019, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL SERVICE AREA NO. 56

Statement of Revenues and Expenditures - Budget and Actual

For the year ended December 31, 2018

	2018		Variance
	Actual	Budget	
Revenues:			
Property tax revenue	\$ 138,297	\$ 98,210	\$ 40,087
Late collections	5,639	8,192	(2,553)
Interest income	16	-	16
Total revenues	143,952	106,402	37,550
Expenditures:			
Customer attraction -			
Website	-	500	500
Special events	12,890	12,900	10
Social media outreach	320	1,000	680
Decorative banners	42	4,076	4,034
Holiday decorations	7,003	8,000	997
Print materials	150	3,500	3,350
Total customer attraction	20,405	29,976	9,571
Public way aesthetics -			
Acid Etching	-	1,000	1,000
Landscaping (plants, watering, etc.)	-	8,000	8,000
Facade enhancement program - rebates	-	4,000	4,000
Way Finding	-	2,000	2,000
Streetscape elements (included capital installation, maintenance)	1,435	1,500	65
Public art	-	1,500	1,500
Sidewalk maintenance	45,033	45,089	56
City permits	252	750	498
Total public way aesthetics	46,720	63,839	17,119
Sustainability and public places -			
Garbage/Recycling	-	600	600
Small business energy credit	-	-	-
Bicycle transit	-	250	250
Total sustainability and public places	-	850	850
Economic/Business development -			
Site marketing (materials, services, etc.)	-	100	100
Supplemental transit (shuttle, trolley, etc.)	-	-	-
Economic impact study	-	500	500
SSA consultant	3,350	3,750	400
Total economic and business development	3,350	4,350	1,000
Safety programs -			
Safety improvements program-rebate	-	1,000	1,000
Total safety programs	-	1,000	1,000

SPECIAL SERVICE AREA NO. 56

Statement of Revenues and Expenditures - Budget and Actual

For the year ended December 31, 2018

	2018		Variance
	Actual	Budget	
SSA management -			
Annual report	424	850	426
Audit	2,500	2,500	-
Bookkeeping	1,400	1,500	100
Office rent	2,255	3,509	1,254
Office utilities	500	1,500	1,000
Office supplies	396	300	(96)
Office equipment lease/maintenance	-	300	300
Office printing	250	350	100
Postage and delivery	56	250	194
Meeting expense	460	650	190
Dues and subscriptions	486	500	14
Bank charges	120	420	300
Events supplies	-	1,051	1,051
Storage	-	150	150
Property/Liability insurance	56	275	219
Conferences and training	-	500	500
IT Monitoring	-	650	650
Total SSA management	8,903	15,255	6,352
Personnel -			
Executive director	5,497	4,642	(855)
Program manager	11,000	9,201	(1,799)
Total personnel	16,497	13,843	(2,654)
Loss collection	26,725	-	(26,725)
Total expenditures	122,600	129,113	6,513
Excess/(deficiency) of revenue over expenditures	\$ 21,352	\$ (22,711)	\$ 31,037
Carryover	15,115		15,115
Net revenues in excess of expenditures	\$ 36,467	\$ (22,711)	\$ 46,152

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Statement of Revenues and Expenditures - Budget and Actual

For the year ended December 31, 2017

	2017		Variance
	Actual	Budget	
Revenues:			
Property tax revenue	\$ 105,851	\$ 105,851	\$ -
Late collections	1,688	6,183	(4,495)
Interest income	5	-	5
Total revenues	107,544	112,034	(4,490)
Expenditures:			
Customer attraction -			
Website			
Special events	11,090	10,000	1,090
Social media outreach	550	1,000	(450)
Decorative banners	2,410	1,500	910
Holiday decorations	7,580	8,000	(420)
Print materials	1,400	3,012	(1,612)
Total customer attraction	23,030	23,512	(482)
Public way aesthetics -			
Acid Etching	-	-	-
Landscaping (plants, watering, etc.)	13,349	5,500	7,849
Facade enhancement program - rebates	-	5,000	(5,000)
Way Finding	-	-	-
Streetscape elements (included capital installation, maintenance)	-	500	(500)
Public art	-	1,000	(1,000)
Sidewalk maintenance	42,822	37,000	5,822
City permits	-	-	-
Total public way aesthetics	56,171	49,000	7,171
Sustainability and public places -			
Garbage/Recycling	1,904	500	1,404
Small business energy credit	-	750	(750)
Bicycle transit	907	1,000	(93)
Total sustainability and public places	2,811	2,250	561
Economic/Business development -			
Site marketing (materials, services, etc.)	300	275	25
Supplemental transit (shuttle, trolley, etc.)	600	1,000	(400)
Economic impact study	500	2,500	(2,000)
SSA consultant	20,401	-	20,401
Total economic and business development	21,801	3,775	18,026
Safety programs -			
Safety improvements program-rebate	250	1,000	(750)
Total safety programs	250	1,000	(750)

SPECIAL SERVICE AREA NO. 56

Statement of Revenues and Expenditures - Budget and Actual

For the year ended December 31, 2017

	2017		Variance
	Actual	Budget	
SSA management -			
Annual report	500	500	-
Audit	2,000	2,000	-
Bookkeeping	1,500	1,500	-
Office rent	3,500	3,500	-
Office utilities	1,500	1,500	-
Office supplies	250	250	-
Office equipment lease/maintenance	100	300	(200)
Office printing	733	50	683
Postage and delivery	117	600	(483)
Meeting expense	750	750	-
Dues and subscriptions	500	500	-
Bank charges	321	321	-
Events supplies	144	150	(6)
Storage	-	-	-
Property/Liability insurance	56	50	6
Conferences and training	500	500	-
IT Monitoring	-	-	-
Total SSA management	12,471	12,471	-
Personnel -			
Executive director	4,690	4,642	48
Program manager	8,465	9,201	(736)
Total personnel	13,155	13,843	(688)
Loss collection	16,449	-	16,449
Total expenditures	146,138	105,851	40,287
Excess/(deficiency) of revenue over expenditures	\$ (38,594)	\$ 6,183	\$ 35,797
Carryover	38,594	26,200	12,394
Net revenues in excess of expenditures	\$ -	\$ 32,383	\$ 48,191

OTHER INFORMATION

SPECIAL SERVICE AREA NO. 56

Service Provider Agreement Compliance

Summary Schedule of Findings and Responses

Year ended December 31, 2018

We have read and understand the necessary audit requirements contained in the Service Provider Agreement. Accordingly, based on our audit we noted no exceptions during the year ending December 31, 2018.