

**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, 2018 and 2017**

**Special Service Area 48**  
**Managed by Old Town Merchants and Residents Association**  
**Financial Statements**  
**December 31, 2018 and 2017**

**Index**

<u>Financial Statements</u>	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Net Position and Governmental Fund Balance Sheets December 31, 2018 and 2017	3
Statements of Activities and Governmental Fund, Revenues, Expenditures and Changes in Fund Balances December 31, 2018 and 2017	4
Notes to the Financial Statements - For the Years Ended December 31, 2018 and 2017	5-9
 <u>Supplementary Information</u>	
Schedule of Revenues and Expenditures - Budget and Actual December 31, 2018	10
Schedule of Revenues and Expenditures - Budget and Actual December 31, 2017	11
Summary Schedule of Findings For the Year Ended December 31, 2018	12
Update of Prior Year Summary Schedule of Findings For the Year Ended December 31, 2018	13-14
State of Illinois License	15

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, (a taxing district authorized by the City of Chicago) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the SSA 48 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 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, 2018 and 2017, 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***

#### ***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 10, 2019

**Special Service Area 48**  
**Managed by Old Town Merchants and Residents Association**  
**Statements of Net Position and**  
**Governmental Fund Balance Sheets**  
**December 31, 2018 and 2017**

	2018			2017		
	Governmental Fund	Adjustments	Statement of Net Position	Governmental Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>						
Cash and cash equivalents	\$ 68,507	\$ -	\$ 68,507	\$ 94,346	\$ -	\$ 94,346
Property tax receivable, net allowance for uncollectable taxes of \$6,426 and \$8,000	476,524	-	476,524	190,218	-	190,218
<b>Total Assets</b>	<u>\$ 545,031</u>	<u>\$ -</u>	<u>\$ 545,031</u>	<u>\$ 284,564</u>	<u>\$ -</u>	<u>\$ 284,564</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 11,761	\$ -	\$ 11,761	\$ 13,003	\$ -	\$ 13,003
<b>Total Liabilities</b>	11,761	-	11,761	13,003	-	13,003
<b>DEFERRED INFLOWS</b>						
Deferred property tax revenue	476,524	(476,524)	-	190,218	(190,218)	-
<b>Total Deferred Inflows</b>	476,524	(476,524)	-	190,218	(190,218)	-
<b>FUND BALANCE / NET POSITION</b>						
Unassigned	56,746	(56,746)	-	81,343	(81,343)	-
<b>Total Fund Balance</b>	56,746	(56,746)	-	81,343	(81,343)	-
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<u>\$ 545,031</u>			<u>\$ 284,564</u>		
<b>Net Position - Unrestricted</b>		<u>\$ (533,270)</u>	<u>\$ 533,270</u>		<u>\$ (271,561)</u>	<u>\$ 271,561</u>
Amounts reported for government activities in the statement of net position are different because:						
Total fund balance - governmental funds			\$ 56,746			\$ 81,343
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.			476,524			190,218
<b>Total net position - governmental activities</b>			<u>\$ 533,270</u>			<u>\$ 271,561</u>

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, 2018 and 2017**

	2018			2017		
	Governmental Fund	Adjustments	Statement of Activities	Governmental Fund	Adjustments	Statement of Activities
<b>REVENUES</b>						
Property taxes - net of allowance	\$ 188,807	\$ 286,306	\$ 475,113	\$ 124,534	\$ 67,801	\$ 192,335
Interest	13	-	13	-	-	-
<b>Total Revenues</b>	<b>188,820</b>	<b>286,306</b>	<b>475,126</b>	<b>124,534</b>	<b>67,801</b>	<b>192,335</b>
<b>EXPENDITURES</b>						
Customer attraction	4,947	-	4,947	3,500	-	3,500
Public way aesthetics	86,608	-	86,608	81,516	-	81,516
Sustainability and public places	8,977	-	8,977	10,072	-	10,072
Economic / business development	26,104	-	26,104	1,950	-	1,950
Safety programs	48,327	-	48,327	45,052	-	45,052
SSA management	8,454	-	8,454	5,372	-	5,372
Personnel	30,000	-	30,000	25,632	-	25,632
<b>Total Expenditures</b>	<b>213,417</b>	<b>-</b>	<b>213,417</b>	<b>173,094</b>	<b>-</b>	<b>173,094</b>
Excess of Revenues over Expenditures	(24,597)	286,306	261,709	(48,560)	67,801	19,241
Change in Net Position	(24,597)	286,306	261,709	(48,560)	67,801	19,241
<b>Fund Balance/Net Position</b>						
Beginning of the Year	81,343	190,218	271,561	129,903	122,417	252,320
End of the Year	<u>\$ 56,746</u>	<u>\$ 476,524</u>	<u>\$ 533,270</u>	<u>\$ 81,343</u>	<u>\$ 190,218</u>	<u>\$ 271,561</u>
Amounts reported for governmental activities in the statement of activities is different because:						
Net change in Fund balance - governmental funds			\$ (24,597)			\$ (48,560)
Property tax is recognized in the year it is levied rather than when it is available for governmental funds			286,306			67,801
Change in Net Position			<u>\$ 261,709</u>			<u>\$ 19,241</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)**  
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**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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NOTE 1 – Nature of Activities and reporting entity

Special Service Area 48 (“SSA 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. As of January 1, 2019, SSA 48 has been renewed for another 15 years and the service area expanded substantially.

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 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. Government-Wide and Fund Financial Statements

**Special Service Area 48**  
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**Managed by Old Town Merchants and Residents Association**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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

The financial statements of the SSA 48 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 principals). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

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



**Special Service Area 48**  
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**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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

b. Measurement Focus, Basis of Accounting and Financial Statement Presentation – (Continued)

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 cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisitions.

Receivables

All property tax receivables are shown net of allowances. As of December 31, 2018 and 2017, the allowance is estimated to be between 2-4% 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 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

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**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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

Fund Equity/Net Position – (Continued)

fund balances is a limitation imposed by a designee of the SSA 48 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 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.

d. Subsequent Events

Subsequent events have been evaluated through April 10, 2019, which is the date the financial statements were available to be issued.

NOTE 3 – Cash and Cash Equivalents

SSA 48 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, 2018 and 2017.

**Special Service Area 48**  
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**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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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 48.

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

SSA 48 is affiliated with Old Town Merchants and Residents Association, which shares certain administrative services and personnel costs with the SSA.

## **Supplementary Information**

**Special Service Area 48**  
**Managed by Old Town Merchants and Residents Association**  
**Schedule of Revenues and**  
**Expenditures - Budget and Actual**  
**December 31, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE</b>			
Property revenues and interest - current year	\$ 203,612	\$ 188,820	\$ 14,792
Total revenues	203,612	188,820	14,792
<b>EXPENDITURES</b>			
Customer attraction	20,500	4,947	15,553
Public way aesthetics	110,013	86,608	23,405
Sustainability and public places	22,500	8,977	13,523
Economic/business development	28,000	26,104	1,896
Safety programs	42,199	48,327	(6,128)
SSA management	8,900	8,454	446
Personnel	30,000	30,000	-
Total expenditures	262,112	213,417	48,695
Excess of revenues over expenditures	<u>\$ (58,500)</u>	<u>\$ (24,597)</u>	<u>\$ (33,903)</u>
<b>CARRYOVER</b>			
	<u>58,500</u>	<u>-</u>	<u>58,500</u>
Net revenues in excess of expenses	<u>\$ -</u>	<u>\$ (24,597)</u>	<u>\$ 24,597</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE</b>			
Property revenues and interest - current year	\$ 194,693	\$ 124,534	\$ 70,159
Total revenues	194,693	124,534	70,159
<b>EXPENDITURES</b>			
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	<u>249,693</u>	<u>173,094</u>	<u>76,599</u>
Excess of revenues over expenditures	<u>\$ (55,000)</u>	<u>\$ (48,560)</u>	<u>\$ (6,440)</u>
<b>CARRYOVER</b>			
	<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**  
**(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, 2018**

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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 one below exception was noted.

Findings and Questioned Costs for the Year 2018:

SSA 48 expended funds during 2018 in excess of an approved 2018 budget category – Safety Programs.

Corrective Action Plan for the Year 2018 Finding

During 2018, area police district recommended additional security after the ruling in a high profiled court case. Also during 2018, additional security was required during the Wells Street Art Festival, due to local police presence was reduced during this fest. Both of these unforeseen situations for additional security were not included in the 2018 budget, and therefore resulted in actual security costs to exceed the 2018 budget.

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

**Special Service Area 48**  
**(a taxing district authorized by the City of Chicago)**  
**Managed by Old Town Merchants and Residents Association**  
**Updated Status of the Prior Year Summary Schedule of Findings**  
**For the Year Ended December 31, 2018**

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Update on the status of the prior year (2017) findings:

Findings and Questioned Costs from 2017 Audit

Special Service Area 48 showed 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.

Update to 2017 Finding

As of December 31, 2018, SSA 48 total carryover funds were less than 25% of the 2018 budget; therefore the corrective action plan was successfully implemented during 2018.



**Special Service Area 48**  
**(a taxing district authorized by the City of Chicago)**  
**Managed by Old Town Merchants and Residents Association**  
**Updated Status of the Prior Year Summary Schedule of Findings**  
**For the Year Ended December 31, 2018**

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Update on the status of the prior year (2017) findings – (continued):

Findings and Questioned Costs from 2017 Audit

The 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, approving and revising future annual budgets as well as monitoring actual annual spending.

Update to 2017 Finding

As of December 31, 2018, SSA 48 expended funds did not exceed the budget in the Economic/business development category, therefore the corrective action plan was successfully implemented during 2018.

# 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:  
11/30/2021

### PUBLIC ACCOUNTANT FIRM LICENSE



EILTS & ASSOCIATES INC  
3729 N RAVENSWOOD AVE STE 117  
CHICAGO, IL 60613-3570



DEBORAH HAGAN  
ACTING SECRETARY

JESSICA BAER  
DIRECTOR

The official status of this license can be verified at [www.idfpr.com](http://www.idfpr.com)

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