

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)

As of December 31, 2018 and 2017

T A B L E O F C O N T E N T S

	PAGE
<u>INDEPENDENT AUDITOR'S REPORT</u>	2
 <u>FINANCIAL STATEMENTS</u>	
Statements of Net Position and Governmental Fund Balance Sheets	3
Statements of Activities and Governmental Fund/ Revenues, Expenditures and Changes in Fund Balance	4
Statements of Revenues and Expenditures – Budget and Actual	5
 <u>NOTES TO FINANCIAL STATEMENTS</u>	6-8
Summary Schedule of Audit Findings	9
 <u>STATE OF ILLINOIS CPA LICENSE</u>	10



THE A.C.T. GROUP LLC
ODONI PARTNERS COMPANY

INDEPENDENT AUDITOR'S REPORT

6228 N. BROADWAY
CHICAGO, IL 60660
T. 773-743-2196
F. 773-743-0292
www.actgroupllc.com

To The Board of Directors of Edgewater Chamber of Commerce
Commissioners of Special Service Area #26
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Special Service Area #26 (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, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, and revenues and expenditures-budget and actual 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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #26 as of December 31, 2018 and 2017 and the changes in financial position and budgetary comparison for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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.

The A.C.T. Group LLC

The A.C.T. Group, LLC
Certified Public Accountants
April 25, 2019

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
Statements of Net Position and Governmental Fund Balance Sheets
December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
<u>Current Assets</u>						
Cash	\$ 111,315	\$ -	\$ 111,315	\$ 95,855	\$ -	\$ 95,855
Property Tax Receivable, net of allowance for uncollectable taxes of \$18,320 and \$18,166	439,677	-	439,677	435,979	-	435,979
Due from City of Chicago	237,483	-	237,483	202,835	-	202,835
TOTAL ASSETS	\$ 788,475	\$ -	\$ 788,475	\$ 734,669	\$ -	\$ 734,669
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable	\$ 57,336	\$ -	\$ 57,336	\$ 39,417	\$ -	\$ 39,417
Due to Edgewater Chamber of Commerce	8,075	-	8,075	7,503	-	7,503
TOTAL LIABILITIES	65,411	-	65,411	46,920	-	46,920
DEFERRED INFLOWS						
Deferred Property Tax Revenue	439,677	(439,677)	-	435,979	(435,979)	-
TOTAL DEFERRED INFLOWS	439,677	(439,677)	-	435,979	(435,979)	-
FUND BALANCES / NET POSITION						
<u>Unassigned</u>	283,387	(283,387)	-	251,770	(251,770)	-
TOTAL FUND BALANCE	283,387	(283,387)	-	251,770	(251,770)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 788,475			\$ 734,669		
<u>Net Position</u>						
Restricted		\$ 723,064	\$ 723,064		\$ 687,749	\$ 687,749

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

Total fund balance - governmental funds	\$ 283,387	\$ 251,770
Property tax revenue is recognized in the period for which levied rather than when "available." A portion of the property tax is deferred as it is not available in the governmental funds.	439,677	435,979
Total net position - governmental activities	\$ 723,064	\$ 687,749

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
Statements of Activities and Governmental Fund/
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Activities	Governmental Funds	Adjustments	Statement of Activities
REVENUES:						
Property Taxes	\$ 489,095	\$ 3,698	\$ 492,793	\$ 628,297	\$ 12,377	\$ 640,674
Interest Income	166	-	166	135	-	135
TOTAL REVENUE	<u>489,261</u>	<u>3,698</u>	<u>492,959</u>	<u>628,432</u>	<u>12,377</u>	<u>640,809</u>
EXPENDITURES:						
Services:						
Customer Attraction	103,251	-	103,251	116,357	-	116,357
Public Way Aesthetics	253,034	-	253,034	307,468	-	307,468
Economic/Business Development	0	-	0	1,414	-	1,414
Total Services Expenditures	<u>356,285</u>	<u>-</u>	<u>356,285</u>	<u>425,239</u>	<u>-</u>	<u>425,239</u>
Administration:						
Personnel	81,101	-	81,101	78,739	-	78,739
Admin - nonpersonnel	20,258	-	20,258	15,581	-	15,581
Total Administration Expenditures	<u>101,359</u>	<u>-</u>	<u>101,359</u>	<u>94,320</u>	<u>-</u>	<u>94,320</u>
TOTAL EXPENDITURES	<u>457,644</u>	<u>-</u>	<u>457,644</u>	<u>519,559</u>	<u>-</u>	<u>519,559</u>
Excess of revenues over expenditures	31,617	(31,617)		108,873	(108,873)	
Change in Net Position		35,315	35,315		121,250	121,250
FUND BALANCE/NET POSITION						
Beginning of the Year	251,770	435,979	687,749	142,897	423,602	566,499
End of the Year	<u>\$ 283,387</u>	<u>\$ 439,677</u>	<u>\$ 723,064</u>	<u>\$ 251,770</u>	<u>\$ 435,979</u>	<u>\$ 687,749</u>

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

Net change in fund balance - governmental funds	\$ 31,617	\$ 108,873
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>3,698</u>	<u>12,377</u>
Change in net position	<u>\$ 35,315</u>	<u>\$ 121,250</u>

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
Schedule of Revenues and Expenditures - Budget and Actual
For the Years Ended December 31, 2018 and 2017

	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
	<u>2018</u>	<u>2018</u>	\$	<u>2017</u>	<u>2017</u>	\$
REVENUES:						
Property Taxes	\$ 445,606	\$ 446,998	\$ (1,392)	\$ 424,349	\$ 438,642	\$ (14,293)
Interest Income	-	166	(166)	-	135	(135)
Late Collections & Interest Income Thereon	8,539	(4,979)	13,518	16,903	-	16,903
TIF Rebate	13,126	47,076	(33,950)	4,850	189,655	(184,805)
Loss Collection	8,539	-	8,539	26,861	-	26,861
	<u>475,810</u>	<u>489,261</u>	<u>(13,451)</u>	<u>472,963</u>	<u>628,432</u>	<u>(155,469)</u>
TOTAL REVENUE						
EXPENDITURES:						
Customer Attraction	122,665	103,251	19,414	101,487	116,357	(14,870)
Public Way Aesthetics	294,514	253,034	41,480	321,587	307,468	14,119
Sustainability & Public Places	100	-	100	5,000	-	5,000
Economic/Business Development	5,000	-	5,000	13,000	1,414	11,586
Admin Non-Personnel	22,430	20,258	2,172	23,150	15,581	7,569
Personnel	81,101	81,101	-	78,739	78,739	-
	<u>525,810</u>	<u>457,644</u>	<u>68,166</u>	<u>542,963</u>	<u>519,559</u>	<u>23,404</u>
TOTAL EXPENDITURES						
Excess of revenue over (under) expenditures	\$ <u>(50,000)</u>	\$ <u>31,617</u>	\$ <u>(81,617)</u>	\$ <u>(70,000)</u>	\$ <u>108,873</u>	\$ <u>(178,873)</u>
CARRYOVER	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Net revenues in excess of expenditures	\$ <u>-</u>	\$ <u>31,617</u>	\$ <u>(31,617)</u>	\$ <u>-</u>	\$ <u>108,873</u>	\$ <u>(108,873)</u>

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

1. Summary of Significant Accounting Policies

Reporting Entity: Special Service Area #26 is a taxing district authorized by the City of Chicago located in Chicago, Illinois. Its scope of services is to fund various activities to improve and enhance the Broadway Street commercial district. The SSA is funded by property taxes 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 #26 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with Edgewater Chamber of Commerce (ECofC) to perform administrative duties as the service provider for this SSA during the reporting period. ECofC is an Illinois not-for-profit corporation that is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

Government-Wide and Fund Financial Statements: The financial statements of the SSA have been prepared in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for the establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The SSA accounts for its activities in one fund, its general fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year they are levied.

The governmental fund financial statements are prepared on the modified accrual basis of accounting with only current assets and liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available to finance expenditures of the current period. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end. Expenditures are recorded when the liability is incurred.

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

Assets, Liabilities, and Net Position:

Cash, Cash equivalents and investments: The SSA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables: All property tax receivables are shown net of allowances. As of December 31, 2018 and 2017, the allowance is estimated to be 4% of the outstanding property taxes.

Fund Equity/Net Position: Government fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by enabling legislation or an outside party. Committed fund balance is a limitation imposed by the SSA board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the SSA board. Unassigned fund balance is a net resource in excess of what can be properly classified in one of the above four categories.

When both restricted and unrestricted fund balances are available for use, it is the SSA's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balance is reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statement, net position is reported as invested in capital assets net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt, if applicable, is comprised of the net capital asset balance less any related debt. Restricted net position is when restrictions are placed on net assets from 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. The remaining net position is classified as unrestricted.

2. Cash

The Organization maintains its cash in a bank deposit account, which, at times, may exceed federally insured limits. The Organization had not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk in cash.

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

3. Property Taxes

Property taxes become an enforceable lien on real property on January 1 of the year it is levied. Taxes are payable in two installments in the subsequent year. The first installment is an estimate based on the prior year billed levy (55%) and is due in March. The second installment is due on August 1, or 30 days from the mailing of the tax bills if issued later than July 1. The second installment is based on the remaining amount of the levy on file with the County. Bills are issued and collected by Cook County who remits the SSA's share to the City who then remits the monies to the SSA.

The Due from City of Chicago of \$237,483 and \$202,835 in 2018 and 2017, respectively, consist of TIF funds earned in 2015, 2016 and 2017 but not yet fully received.

4. Related Party Transactions

The SSA is affiliated with the Edgewater Chamber of Commerce, which provides certain administrative services for the SSA. As of December 31, 2018 and 2017, \$8,075 and \$7,503 was payable for services or goods provided, respectively. This resulted from the time lag that 1) goods and services are being provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments are being made.

5. Prior Year Reclassifications

For comparability, the prior year's financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used this year.

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

SUMMARY SCHEDULE OF FINDINGS

As part of our audit and request by the Special Service Area Annual Audited Financial Statement Guidelines prepared by the City of Chicago Department of Planning and Development issued in 2017, we have read and understand the requirements contained in the Agreement for Special Service Area #26 between the City of Chicago and Edgewater Chamber of Commerce.

Current year findings:

None noted.

Management response:

None noted.

Update of prior year findings:

We noted certain expenditures for which actual expenses exceed budgeted amounts.

Management response:

Edgewater Chamber of Commerce will pay closer attention to monthly financial statements from our accountant and adjust the budget as needed.

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

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

