
SPECIAL SERVICE AREA #26

(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)



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

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Independent Auditor's Report

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, which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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 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 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.

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 July 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance 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.

Restricted Use Relating to the Other Matter

The communication related to compliance with the aforementioned Agreements described in the Required Supplementary Information paragraph is intended solely for the information and use of the Edgewater Chamber of Commerce, SSA #26 and the City of Chicago and is not intended to be and should not be used by anyone other than these specified parties.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combining and combined financial statements as a whole. The supplementary information included on page 10 is presented for purposes of additional analysis and is not a required part of the combining and combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combining and combined financial statements. The information, except for the budget information included on page 10 which is unaudited, has been subjected to the auditing procedures applied in the audits of the combining and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining and combined financial statements or to the combining and combined financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combining and combined financial statements as a whole. The unaudited information referred to above has not been subjected to the auditing procedures applied in the audits of the combining and combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of a Matter

As discussed in Note 9 to the consolidated financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

The A.C.T. Group, LLC

Chicago, Illinois
May 14, 2020

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, 2019 and 2018

	2019			2018		
	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
<u>Current Assets</u>						
Cash	\$ 50,643	\$ -	\$ 50,643	\$ 111,315	\$ -	\$ 111,315
Property Tax Receivable, net of allowance for uncollectable taxes of \$18,287 and \$18,320	438,887	-	438,887	439,677	-	439,677
Due from City of Chicago	309,917	-	309,917	237,483	-	237,483
Due from Edgewater Chamber of Commerce	500	-	500	-	-	-
TOTAL ASSETS	\$ 799,947	\$ -	\$ 799,947	\$ 788,475	\$ -	\$ 788,475
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable	\$ 6,600	\$ -	\$ 6,600	\$ 57,336	\$ -	\$ 57,336
Due to Edgewater Chamber of Commerce	-	-	-	8,075	-	8,075
TOTAL LIABILITIES	6,600	-	6,600	65,411	-	65,411
DEFERRED INFLOWS						
Deferred Property Tax Revenue	438,887	(438,887)	-	439,677	(439,677)	-
TOTAL DEFERRED INFLOWS	438,887	(438,887)	-	439,677	(439,677)	-
FUND BALANCES / NET POSITION						
<u>Unassigned</u>	354,460	(354,460)	-	283,387	(283,387)	-
TOTAL FUND BALANCE	354,460	(354,460)	-	283,387	(283,387)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 799,947			\$ 788,475		
<u>Net Position</u>						
Restricted		\$ (793,347)	\$ 793,347		\$ (723,064)	\$ 723,064

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

Total fund balance - governmental funds	\$ 354,460	\$ 283,387
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.	438,887	439,677
Total net position - governmental activities	\$ 793,347	\$ 723,064

SPECIAL SERVICE AREA #26
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Statements of Activities and Governmental Fund/
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Governmental Funds	Adjustments	Statement of Activities	Governmental Funds	Adjustments	Statement of Activities
REVENUES:						
Property Taxes	\$ 535,916	\$ (790)	\$ 535,126	\$ 489,095	\$ 3,698	\$ 492,793
Interest Income	196	-	196	166	-	166
TOTAL REVENUE	536,112	(790)	535,322	489,261	3,698	492,959
EXPENDITURES:						
Services:						
Customer Attraction	81,749	-	81,749	103,251	-	103,251
Public Way Aesthetics	279,791	-	279,791	253,034	-	253,034
Economic/Business Development	-	-	-	-	-	-
Total Services Expenditures	361,540	-	361,540	356,285	-	356,285
Administration:						
Personnel	83,533	-	83,533	81,101	-	81,101
Admin - nonpersonnel	19,966	-	19,966	20,258	-	20,258
Total Administration Expenditures	103,499	-	103,499	101,359	-	101,359
TOTAL EXPENDITURES	465,039	-	465,039	457,644	-	457,644
Excess of revenues over expenditures	71,073	(790)	70,283	31,617	3,698	35,315
Change in Net Position	71,073	(790)	70,283	31,617	3,698	35,315
FUND BALANCE/NET POSITION						
Beginning of the Year	283,387	439,677	723,064	251,770	435,979	687,749
End of the Year	\$ 354,460	\$ 438,887	\$ 793,347	\$ 283,387	\$ 439,677	\$ 723,064

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

Net change in fund balance - governmental funds	\$ 71,073	\$ 31,617
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	(790)	3,698
Change in net position	\$ 70,283	\$ 35,315

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, 2019 and 2018

1. Summary of Significant Accounting Policies

(a) Nature of 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.

(B) Basis of Presentation: The government-wide financial statements report information on all the activities of the Special Service Area. Governmental activities include those items funded by the tax levies. While separate governmental activities incorporate data from the governmental funds. The fund financial statements are on major governmental funds. The commission reports one major governmental fund, the General Fund.

(C) 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
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018

1. **Summary of Significant Accounting Policies (continued)**

(d) 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.

(e) 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, 2019 and 2018, the allowance is estimated to be 4% of the outstanding property taxes.

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

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 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.

SPECIAL SERVICE AREA #26
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018

1. Summary of Significant Accounting Policies (continued)

(f) Use of estimates: The preparation of financial statements in conformity with 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 reported period. Actual results could differ from those estimates.

2. Cash, Cash Equivalents, and Investments

A highly liquid investments with an initial maturity of three months or less, excluding amounts contained in investment portfolios, are considered to be cash equivalents. The SSA 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.

3. Other Receivables

As of December 31, 2019 and 2018, TIF rebates of \$309,917 and \$237,483 respectively, were identified and reported by the SSA from the City of Chicago.

4. Deferred Inflows of Revenue

As deferred inflow of resource/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.

5. Fund Equity / Net Position

The SSA is required to present information regarding its financial position and activities according to the between the SSA and the City of Chicago. As of December 31, 2019 and 2018, the SSA total fund balances of \$354,460 and \$283,387, respectively. These funds will be utilized in this special area during future years as well as act as a reserve for any emergencies.

6. 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.

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NOTES TO FINANCIAL STATEMENTS
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7. 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, 2019 and 2018, \$0 and \$8,075 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.

In addition, As of December 31, 2019 and 2018, \$500 and \$0 was due from the Edgewater Chamber of Commerce 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.

8. 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.

9. Subsequent Events

The SSA has evaluated the December 31, 2019 and 2018, financial statements for subsequent events through the May 14, 2020, the date the financial statements were available to be issued. The SSA is not aware of any additional subsequent events that would require recognition or disclosure in the accompanying financial statements.

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Company, its performance, and its financial results.

SUPPLEMENTARY INFORMATION

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, 2019 and 2018

	2019			2018		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES:						
Property Taxes	\$ 450,864	\$ 453,921	\$ (3,057)	\$ 445,606	\$ 446,998	\$ (1,392)
Interest Income	-	196	(196)	-	166	(166)
Late Collections & Interest Income Thereon	7,133	(9,450)	16,583	8,539	(4,979)	13,518
TIF Rebate	19,011	91,445	(72,434)	13,126	47,076	(33,950)
Loss Collection	7,133	-	7,133	8,539	-	8,539
TOTAL REVENUE	484,141	536,112	(51,971)	475,810	489,261	(13,451)
EXPENDITURES:						
Customer Attraction	120,500	81,749	38,751	122,665	103,251	19,414
Public Way Aesthetics	295,658	279,791	15,867	294,514	253,034	41,480
Sustainability & Public Places	500	-	500	100	-	100
Economic/Business Development	9,000	-	9,000	5,000	-	5,000
Admin Non-Personnel	24,950	19,966	4,984	22,430	20,258	2,172
Personnel	83,533	83,533	-	81,101	81,101	-
TOTAL EXPENDITURES	534,141	465,039	69,102	525,810	457,644	68,166
Excess of revenue over (under) expenditures	<u>\$ (50,000)</u>	<u>\$ 71,073</u>	<u>\$ (121,073)</u>	<u>\$ (50,000)</u>	<u>\$ 31,617</u>	<u>\$ (81,617)</u>
CARRYOVER	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net revenues in excess of expenditures	<u>\$ -</u>	<u>\$ 71,073</u>	<u>\$ (71,073)</u>	<u>\$ -</u>	<u>\$ 31,617</u>	<u>\$ (31,617)</u>

SPECIAL SERVICE AREA #26
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018

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 2018, 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:

- We noted the SSA participated in loan activity as amounts Due to other Special Service Areas managed by the same Service Provider were identified.

Management response:

- Our corrective action is to plan for Edgewater Chamber of Commerce to more closely monitor amounts due to and from Special Service Areas.

Update of prior year findings:

- None noted.

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
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018



Exhibit A Budget

Special Service Area # 26

Service Provider Agency: Edgewater Chamber of Commerce

2019 BUDGET SUMMARY

Budget and Services Period: January 1, 2019 through December 31, 2019

CATEGORY	2018 Levy		Carryover Funds	TIF Rebate Fund #	Estimated Late Collections and Interest	Total All Sources 2018 Budget
	Collectable Levy	Estimated Loss Collection				
1.00 Customer Attraction	\$94,356	\$0	\$0	\$19,011	\$7,133	\$120,500
2.00 Public Way Aesthetics	\$238,525	\$7,133	\$50,000	\$0	\$0	\$295,658
3.00 Sustainability and Public Places	\$500	\$0	\$0	\$0	\$0	\$500
4.00 Economic/ Business Development	\$9,000	\$0	\$0	\$0	\$0	\$9,000
5.00 Safety Programs	\$0	\$0	\$0	\$0	\$0	\$0
6.00 SSA Management	\$24,950	\$0	\$0	\$0	\$0	\$24,950
7.00 Personnel	\$83,533	\$0		\$0	\$0	\$83,533
	Sub-total	\$450,864	\$7,133			
GRAND TOTALS	Levy Total	\$457,997	\$50,000	\$19,011	\$7,133	\$534,141

LEVY ANALYSIS

Estimated 2018 EAV:	\$109,770,963
Authorized Tax Rate Cap:	0.550%
Maximum Potential Levy limited by Rate Cap:	\$603,740
Requested 2018 Levy Amount:	\$457,997
Estimated Tax Rate to Generate 2017 Levy:	0.4172%