

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

FINANCIAL STATEMENTS

DECEMBER 31, 2014

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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

As of December 31, 2014

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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 (a taxing district authorized by the City of Chicago) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Special Service Area #26 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 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 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 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 opinions.

Opinions

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, 2014 and the changes in financial position and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During 2014, Special Service Area #26 changed its basis of accounting to follow the standards established by the Government Accounting Standards Board (GASB) applicable to governmental entities. Previously, the SSA was following a basis of accounting similar to a not-for-profit entity under the standards of the Financial Accounting Standards Board (FASB).

Other Matter

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. My opinion on the basic financial statements is not affected by this missing information.

The A.C.T. Group, Ltd.

The A.C.T. Group, Ltd.
Certified Public Accountants
Chicago, Illinois
April 6, 2015

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2014

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
ASSETS			
<u>Current Assets</u>			
Cash	\$ 99,708	\$ -	\$ 99,708
Property Tax Receivable, net of allowance for uncollectable taxes of \$18,886	453,273	-	453,273
Prepaid Expenses	26,345	-	26,345
Due from City of Chicago	<u>5,288</u>	<u>-</u>	<u>5,288</u>
TOTAL ASSETS	<u>\$ 584,614</u>	<u>\$ -</u>	<u>\$ 584,614</u>
 LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 2,500</u>
TOTAL LIABILITIES	2,500	-	2,500
 DEFERRED INFLOWS			
Deferred Property Tax Revenue	451,964	(451,964)	-
 FUND BALANCES / NET POSITION			
<u>Non-spendable:</u>			
Prepaid Items	26,345	(26,345)	-
<u>Committed:</u>	-	-	-
<u>Assigned:</u>	-	-	-
<u>Unassigned</u>	<u>103,805</u>	<u>(103,805)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>130,150</u>	<u>(130,150)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 584,614</u>		
<u>Net Position</u>			
Restricted		<u>\$ 582,114</u>	<u>\$ 582,114</u>

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

Total fund balance - governmental funds	\$ 130,150
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.	<u>451,964</u>
Total net position - governmental activities	<u>\$ 582,114</u>

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

SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
Statement of Activities and Governmental, Funds, Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2014

	Governmental Funds	Adjustments	Statement of Net Position
REVENUES:			
Property Taxes	\$ 458,831	\$ (1,279)	\$ 457,552
Interest Income	<u>117</u>	<u>-</u>	<u>117</u>
TOTAL REVENUE	<u>458,948</u>	<u>(1,279)</u>	<u>457,669</u>
EXPENSES:			
Services:			
Advertising & Promotion	31,325	-	31,325
Public Way Maintenance	93,048	-	93,048
Public Way Aesthetics	201,832	-	201,832
Façade Improvements	8,700	-	8,700
Parking/Transit/Accessibility	721	-	721
Total Services Expense	<u>335,626</u>	<u>-</u>	<u>335,626</u>
Administration:			
Personnel	68,733	-	68,733
Admin - nonpersonnel	<u>18,585</u>	<u>-</u>	<u>18,585</u>
Total Administration Expense	<u>87,318</u>	<u>-</u>	<u>87,318</u>
TOTAL EXPENSES	<u>422,944</u>	<u>-</u>	<u>422,944</u>
Excess of revenues over expenditures	36,004	(36,004)	
Change in Net Position		34,725	34,725
FUND BALANCE/NET POSITION			
Beginning of the Year	<u>94,146</u>	<u>453,243</u>	<u>547,389</u>
End of the Year	<u>\$ 130,150</u>	<u>\$ 451,964</u>	<u>\$ 582,114</u>

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

Net change in Fund balance - governmental funds	\$ 36,004
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>(1,279)</u>
Change in net position	<u>\$ 34,725</u>

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SPECIAL SERVICE AREA #26
(a taxing district authorized by the City of Chicago)
Managed by Edgewater Chamber of Commerce
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2014

	BUDGET <u>2014</u>	ACTUAL <u>2014</u>	VARIANCE \$
REVENUES:			
Property Taxes	\$ 542,428	\$ 474,394	\$ (68,034)
Interest Income	-	117	117
Loss Collection	<u>(25,000)</u>	<u>(15,563)</u>	<u>9,437</u>
 TOTAL REVENUE	 <u>517,428</u>	 <u>458,948</u>	 <u>(58,480)</u>
EXPENSES:			
Services:			
Advertising & Promotion			
Website and/or Social Media	2,500	198	(2,302)
Special Events	31,350	33,044	1,694
Printed Materials	250	(1,917)	(2,167)
Total Advertising & Promotion	<u>34,100</u>	<u>31,325</u>	<u>(2,775)</u>
Public Way Maintenance			
Sidewalk Cleaning	35,000	32,582	(2,418)
Sidewalk Snow Plowing	44,500	36,655	(7,845)
Sidewalk Power Washing	37,300	12,091	(25,209)
Acid Etching Removal/Prevention	3,000	-	(3,000)
Trash Removal Service	13,150	11,720	(1,430)
Total Public Way Maintenance	<u>132,950</u>	<u>93,048</u>	<u>(39,902)</u>
Public Way Aesthetics			
Streetscape	20,000	16,709	(3,291)
Banners and/or Holiday Decorations	33,000	50,733	17,733
Way Finding/Signage	25,000	-	(25,000)
Public Art	3,000	-	(3,000)
Landscaping	140,000	134,390	(5,610)
Total Public Way Aesthetics	<u>221,000</u>	<u>201,832</u>	<u>(19,168)</u>

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

SPECIAL SERVICE AREA #26
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Managed by Edgewater Chamber of Commerce
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2014

	BUDGET <u>2014</u>	ACTUAL <u>2014</u>	VARIANCE \$
Tenant Retention/Attraction			
Site Marketing Materials	10,000	-	(10,000)
Property Owner/Tenant Relations	-	-	-
Total Tenant Retention/Attraction	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Façade Improvements			
Façade Enhance Program - Rebates	<u>20,000</u>	<u>8,700</u>	<u>(11,300)</u>
Total Façade Improvements	20,000	8,700	(11,300)
Parking/Transit/Accessibility			
Bicycle Transit Enhancements	<u>2,500</u>	<u>721</u>	<u>(1,779)</u>
Total Parking/Transit/Accessibility	2,500	721	(1,779)
Personnel			
Executive Director	17,550	-	(17,550)
Program Manager	38,880	43,654	4,774
Marketing/Events Coordinator	<u>22,680</u>	<u>25,079</u>	<u>2,399</u>
Total Personnel	79,110	68,733	(10,377)
Admin Non-Personnel			
Annual Report	1,500	3,063	1,563
Audit	3,500	3,200	(300)
Bookkeeping	1,800	1,800	-
Office Rent	5,700	5,700	-
Office Utilities	2,520	2,520	-
Office Supplies	360	432	72
Office Equip Lease/Maint	288	218	(70)
Office Printing	300	300	-
Postage	300	300	-
Meeting Expense	500	132	(368)
Other	<u>1,000</u>	<u>920</u>	<u>(80)</u>
Total Admin - nonpersonnel	<u>17,768</u>	<u>18,585</u>	<u>817</u>
TOTAL EXPENSES	517,428	422,944	(94,484)
Excess of Revenues Over Expenses	<u>\$ -</u>	<u>\$ 36,004</u>	<u>\$ 36,004</u>

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

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, 2014

1. Summary of Significant Accounting Policies

Reporting Entity: Special Service Area #26 (SSA) provides services on behalf of the City of Chicago (City) within a specified geographic area. These services include promotional and advertising, maintenance of the public way, safety, and other functions. The SSA is exempt from federal income tax under section 501(c)(3) of the Internal Revenue code.

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).

Government-Wide financial statements (statements of net position and statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting for all of the SSA's activities. The Fund Financial Statements, which focus on the SSA's governmental funds current financial resources measurement focus, are prepared on the modified accrual basis.

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

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, 2014

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, 2014, 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 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
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 consists of TIF funds of \$5,288 earned in 2014 but not yet 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, 2014, \$0 was payable for services or goods provided. This is due to the fact that the payments of services happen in the same month as the services or goods provided.

5. Basis of Accounting Change

During 2014, the SSA changed its basis of accounting to follow the standards established by the Government Accounting Standards Board (GASB) applicable to governmental entities. Previously, the SSA was following a basis of accounting similar to a not-for-profit entity under the standards of the Financial Accounting Standards Board (FASB).

SPECIAL SERVICE AREA #26
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 Housing and Economic Development dated June 2013, we have read the requirements contained in the Agreement for Special Service Area #26 between the City of Chicago and Edgewater Chamber of Commerce.

Per Article 5.03, the Contractor established a separate bank account at Bridgeview Bank in Chicago, Illinois. All service tax funds were automatically deposited into this bank account.

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

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, 2014

