

SPECIAL SERVICE AREA #8
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2014

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

SPECIAL SERVICE AREA #8
(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 Lakeview East Chamber of Commerce
Commissioners of Special Service Area #8
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Special Service Area #8 (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 #8 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 #8 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 #8 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
May 14, 2015

SPECIAL SERVICE AREA #8
(a taxing district authorized by the City of Chicago)
Managed by Lakeview East Chamber of Commerce
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2014

	Governmental Funds	Adjustments	Statement of Activities
ASSETS			
<u>Current Assets</u>			
Cash	\$ 21,079	\$ -	\$ 21,079
Property Tax Receivable, net of allowance for uncollectable taxes of \$27,395	828,689	-	828,689
TOTAL ASSETS	\$ 849,768	\$ -	\$ 849,768
LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 3,500	\$ -	\$ 3,500
Due to Lakeview East Chamber of Commerce	3,494	-	3,494
TOTAL LIABILITIES	6,994	-	6,994
DEFERRED INFLOWS			
Deferred Property Tax Revenue	825,804	(825,804)	-
FUND BALANCES / NET POSITION			
<u>Non-spendable:</u>			
Prepaid Items	-	-	-
<u>Committed:</u>			
	-	-	-
<u>Assigned:</u>			
	-	-	-
<u>Unassigned</u>	16,970	(16,970)	-
TOTAL FUND BALANCE	16,970	(16,970)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 849,768		
<u>Net Position</u>		\$ 842,774	\$ 842,774
Restricted			

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

Total fund balance - governmental funds	\$ 16,970
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.	825,804
Total net position - governmental activities	\$ 842,774

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

SPECIAL SERVICE AREA #8
(a taxing district authorized by the City of Chicago)
Managed by the Lakeview East Chamber of Commerce
Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2014

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
REVENUES:			
Property Taxes	\$ 840,653	\$ (3,413)	\$ 837,240
Interest Income	16	-	16
TOTAL REVENUE	<u>840,669</u>	<u>(3,413)</u>	<u>837,256</u>
EXPENSES:			
Services:			
Advertising & Promotion	163,302	-	163,302
Public Way Maintenance	169,432	-	169,432
Public Way Aesthetics	169,361	-	169,361
Tenant Retention/Attraction	4,713	-	4,713
Façade Improvements	54,086	-	54,086
Parking/Transit/Accessibility	6,450	-	6,450
Safety Programs	7,612	-	7,612
District Planning	14,722	-	14,722
Other Technical Assistance	3,000	-	3,000
Total Services Expense	<u>592,678</u>	<u>-</u>	<u>592,678</u>
Administration:			
Personnel	151,511	-	151,511
Admin - nonpersonnel	79,510	-	79,510
Total Administration Expense	<u>231,021</u>	<u>-</u>	<u>231,021</u>
TOTAL EXPENSES	<u>823,699</u>	<u>-</u>	<u>823,699</u>
Excess of revenues over expenditures	16,970	(16,970)	
Change in Net Position		13,557	13,557
FUND BALANCE/NET POSITION			
Beginning of the Year	<u>-</u>	<u>829,217</u>	<u>829,217</u>
End of the Year	<u>\$ 16,970</u>	<u>\$ 825,804</u>	<u>\$ 842,774</u>

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

Net change in Fund balance - governmental funds	\$ 16,970
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>(3,413)</u>
Change in Net Position	<u>\$ 13,557</u>

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

SPECIAL SERVICE AREA #8
(a taxing district authorized by the City of Chicago)
Managed by Lakeview East 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	\$ 849,608	\$ 840,653	\$ (8,955)
Interest Income	-	16	16
Loss Collection	<u>(22,000)</u>	<u>-</u>	<u>22,000</u>
TOTAL REVENUE	<u>827,608</u>	<u>840,669</u>	<u>13,061</u>
EXPENSES:			
Services:			
Advertising & Promotion			
Website and/or Social Media	15,000	16,836	1,836
Public and/or Media Relations	10,000	10,638	638
Special Events	40,900	43,301	2,401
Display Advertising	25,000	28,273	3,273
Printed Materials	10,000	9,406	(594)
Shopper's Rebate	28,500	28,520	20
Travel & Tourism	19,350	18,620	(730)
Interns and ambassadors	8,000	7,708	(292)
Total Advertising & Promotion	<u>156,750</u>	<u>163,302</u>	<u>6,552</u>
Public Way Maintenance			
Sidewalk Cleaning	125,000	105,962	(19,038)
Sidewalk Snow Plowing	5,000	4,470	(530)
Sidewalk Powerwashing	10,500	23,905	13,405
Acid Etching Removal and/or Prevention	500	-	(500)
Equipment Purchase/Maintenance	2,500	2,424	(76)
Supplies	12,000	17,551	5,551
Storage Fees	8,400	9,450	1,050
Liability/Workman's Comp/Prop. Ins.	6,000	5,670	(330)
Total Public Way Maintenance	<u>169,900</u>	<u>169,432</u>	<u>(468)</u>
Public Way Aesthetics			
Streetscape	40,000	12,568	(27,432)
Banners and/or Holiday Decorations	11,600	12,794	1,194
Wayfinding/Signage	5,000	5,000	-
Public Art	20,000	23,890	3,890
Landscaping	65,000	76,060	11,060
Equipment Purchase/Maintenance	1,200	-	(1,200)
Supplies	1,000	1,000	-
Liability/Prop Insurance	6,000	7,374	1,374
Public Spaces	30,000	30,675	675
Total Public Way Aesthetics	<u>179,800</u>	<u>169,361</u>	<u>(10,439)</u>
Tenant Retention/Attraction			
Data Collection	3,000	1,379	(1,621)
Site Marketing Materials	3,500	3,334	(166)
Total Tenant Retention/Attraction	<u>6,500</u>	<u>4,713</u>	<u>(1,787)</u>
Façade Improvements			
Façade Enhancement Program	60,000	54,086	(5,914)
Awning Program	4,000	-	(4,000)
Signage Removal Program-Rebates	2,000	-	(2,000)
Program Costs	500	-	(500)
Total Façade Improvements	<u>66,500</u>	<u>54,086</u>	<u>(12,414)</u>
Parking/Transit/Accessibility			
Valet (Auto or Bicycle)	5,000	1,000	(4,000)
Supplemental Transit	4,658	5,450	792
Total Parking/Transit/Accessibility	<u>9,658</u>	<u>6,450</u>	<u>(3,208)</u>
Safety Programs			

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

SPECIAL SERVICE AREA #8
(a taxing district authorized by the City of Chicago)
Managed by Lakeview East 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 <u>\$</u>
Public Way Surveillance	3,000	-	(3,000)
Security Services	3,000	7,612	4,612
Total Public Way Surveillance	<u>6,000</u>	<u>7,612</u>	<u>1,612</u>
District Planning			
Commission Development	500	-	(500)
Strategic Planning	5,000	5,000	-
Master Planning	4,500	3,980	(520)
Economic Impact Study/Branding	2,500	5,742	3,242
Total District Planning	<u>12,500</u>	<u>14,722</u>	<u>2,222</u>
Other Technical Assistance			
Training and Workshops	3,000	3,000	-
Total Other Support	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Personnel			
Total Personnel	143,100	151,511	8,411
Admin Non-Personnel			
Annual Report	500	-	(500)
Audit	3,500	4,100	600
Bookkeeping	3,000	3,115	115
Office Rent	44,400	50,400	6,000
Office Utilities	5,000	4,610	(390)
Office Supplies	1,500	1,916	416
Office Equip Lease/Maint.	6,000	6,019	19
Office Printing	1,000	1,022	22
Postage	1,500	1,045	(455)
Meeting Expense	1,500	1,160	(340)
Subscriptions/Dues	1,500	1,595	95
Banking Fees	500	1,580	1,080
Monitoring/Compliance	1,000	-	(1,000)
Training & Workshops	3,000	2,948	(52)
Total Admin - nonpersonnel	<u>73,900</u>	<u>79,510</u>	<u>5,610</u>
TOTAL EXPENSES	<u>827,608</u>	<u>823,699</u>	<u>(3,909)</u>
Excess of Revenues Over Expenses	<u>\$ -</u>	<u>\$ 16,970</u>	<u>\$ 16,970</u>

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

SPECIAL SERVICE AREA #8
(a taxing district authorized by the City of Chicago)
Managed by Lakeview East 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 #8 (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 #8
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Managed by Lakeview East Chamber of Commerce
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 3.2% 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 #8
(a taxing district authorized by the City of Chicago)
Managed by Lakeview East Chamber of Commerce
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.

4. Related Party Transactions

The SSA is affiliated with the Lakeview East Chamber of Commerce, which provides certain administrative services for the SSA. As of December 31, 2014, \$3,494 was due to the Chamber.

5. Line of Credit

The Lakeview East Chamber of Commerce maintains a line of credit at MB Financial Bank on behalf of SSA #8. The total available line of credit was \$150,000 with a variable interest rate based on the Wall Street Journal Prime Rate with a minimum of 5.25%. As of December 31, 2014 there was no outstanding balance on line. Interest was paid on a monthly basis by the Lakeview East Chamber of Commerce and SSA # 8 reimbursed the Chamber.

6. 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 #8
(a taxing district authorized by the City of Chicago)
Managed by Lakeview East Chamber of Commerce
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 #8 between the City of Chicago and Lakeview East Chamber of Commerce.

Per Article 5.03, the Contractor established a separate bank account at MB Financial 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.

The Contractor does not pay the bills of SSA #8 out of the SSA #8 bank account. All bills are paid through Lakeview East Chamber of Commerce (LVECC) and monies are transferred out of the SSA account to the LVECC account for the amount of funds spent for the SSA. If a bill is to be allocated between LVECC and the SSA, only funds that apply the SSA portion of the bill are transferred to LVECC. A reconciliation of the due to/from is done at year-end

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.

RESPONSE

SSA #8 bank account is currently a depository bank account. All bills are paid through the Lakeview East Chamber of Commerce (LVECC) bank account and monies are transferred out of the SSA #8 account to the LVECC account for the amount of funds spent for SSA #8. SSA #8 funds are not commingled with other LVECC sources per *Section 5.03, Method of Payment*:

Section 5.03, Method of Payment, also states that pursuant to a schedule to be determined by the Commissioners, after the performance of services pursuant to the terms of the agreement, LVECC may submit invoices to the City to request reimbursement for such expenses. LVECC must provide, along with the invoices, such additional documentation as the Commissioners request to substantiate the services. Upon the Commissioners' determination that the invoices are accurate, the City will process payment of the invoices.

Abiding to the Special Service Area Financial and Accounting Guidelines, SSA #8 Commissioners do not sign checks or other financial documents, but their approval in writing is needed for financial transactions pertaining to SSA #8 finances. The SSA #8 Commissioners approve each line item for expenses per month at quarterly meetings. The Commission approves each request and is documented in the meeting minutes. The SSA#8 Treasurer will review the budget with the Sole Service Provider's Executive Director and bookkeeper prior to each meeting.

SPECIAL SERVICE AREA #8
(a taxing district authorized by the City of Chicago)
Managed by Lakeview East Chamber of Commerce
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

