

SPECIAL SERVICE AREA #63
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

SPECIAL SERVICE AREA #63
(a taxing district authorized by the City of Chicago)

As of December 31, 2017 and 2016

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THE A.C.T. GROUP Ltd

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of the West Humboldt Park Development Council
Commissioners of Special Service Area #63
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Special Service Area #63 (a taxing district authorized by the City of Chicago) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Special Service Area #63 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 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 #63 as of December 31, 2017 and 2016 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

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, Ltd.

The A.C.T. Group, Ltd.
Certified Public Accountants
October 26, 2018

SPECIAL SERVICE AREA #63
(a taxing district authorized by the City of Chicago)
Managed by West Humboldt Park Development Council
Statements of Net Position and Governmental Funds Balance Sheets
December 31, 2017 and 2016

	2017			2016		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
<u>Current Assets</u>						
Cash	\$ 32,402	\$ -	\$ 32,402	\$ 18,576	\$ -	\$ 18,576
Property Tax Receivable, net of allowance for uncollectable taxes of \$21,769	106,285	-	106,285	124,094	-	124,094
TOTAL ASSETS	\$ 138,687	\$ -	\$ 138,687	\$ 142,670	\$ -	\$ 142,670
 LIABILITIES						
Accounts Payable	\$ 11,648	\$ -	\$ 11,648	\$ 5,112	\$ -	\$ 5,112
Due to WHPDC	100	-	100	100	-	100
TOTAL LIABILITIES	11,748	-	11,748	5,212	-	5,212
 DEFERRED INFLOWS						
Deferred Property Tax Revenue	103,735	(103,735)	-	124,094	(124,094)	-
 FUND BALANCES / NET POSITION						
<u>Non-spendable:</u>	-	-	-	-	-	-
<u>Committed:</u>	-	-	-	-	-	-
<u>Assigned:</u>	-	-	-	-	-	-
<u>Unassigned</u>	23,204	(23,204)	-	13,364	(13,364)	-
TOTAL FUND BALANCE	23,204	(23,204)	-	13,364	(13,364)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 138,687			\$ 142,670		
<u>Net Position</u>						
Restricted		\$ 126,939	\$ 126,939		\$ 137,458	\$ 137,458

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

Total fund balance - governmental funds	\$ 23,204	\$ 13,364
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.	103,735	124,094
Total net position - governmental activities	\$ 126,939	\$ 137,458

SPECIAL SERVICE AREA #63
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Statements of Activities and Governmental, Funds, Revenues,
Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Governmental Funds	Adjustments	Statement of Activities	Governmental Funds	Adjustments	Statement of Activities
REVENUES:						
Property Taxes	\$ 119,014	\$ (20,359)	\$ 98,655	108,923	\$ 18,072	\$ 126,995
TOTAL REVENUE	119,014	(20,359)	98,655	108,923	18,072	126,995
EXPENSES:						
Services:						
Customer Attraction	10,590	-	10,590	35	-	35
Public Way Aesthetics	22,233	-	22,233	40,134	-	40,134
Economic/Business Development	-	-	-	1,226	-	1,226
Safety Programs	52,497	-	52,497	43,601	-	43,601
Total Services Expense	85,320	-	85,320	84,996	-	84,996
Administration:						
Personnel	21,566	-	21,566	13,311	-	13,311
Admin - nonpersonnel	2,288	-	2,288	2,740	-	2,740
Total Administration Expense	23,854	-	23,854	16,051	-	16,051
TOTAL EXPENSES	109,174	-	109,174	101,047	-	101,047
Excess of revenues over expenditures	9,840	(9,840)		7,876	(7,876)	
Change in Net Position		(10,519)	(10,519)		25,948	25,948
FUND BALANCE/NET POSITION						
Beginning of the Year	13,364	124,094	137,458	5,488	106,022	111,510
End of the Year	\$ 23,204	\$ 103,735	\$ 126,939	\$ 13,364	\$ 124,094	\$ 137,458

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

Net change in Fund balance - governmental funds	\$ 9,840	\$ 7,876
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	(20,359)	18,072
Change in net position	\$ (10,519)	\$ 25,948

SPECIAL SERVICE AREA #63
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Statements of Revenues and Expenditures - Budget and Actual
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES:						
Property Taxes	\$ 101,411	\$ 119,014	\$ 17,603	\$ 147,474	\$ 108,923	\$ (38,551)
Loss Collection	26,644	-	(26,644)	(20,740)	-	20,740
Late Collections	21,456	-	(21,456)	6,000	-	(6,000)
TOTAL REVENUE	149,511	119,014	(30,497)	132,734	108,923	(23,811)
EXPENSES:						
Customer Attraction	7,500	10,590	3,090	5,000	35	(4,965)
Public Way Aesthetics	73,241	22,233	(51,008)	64,470	40,134	(24,336)
Economic/Business Development	5,059	-	(5,059)	7,500	1,226	(6,274)
Safety Programs	44,000	52,497	8,497	40,000	43,601	3,601
SSA Mgt/Admin - nonpersonnel	3,600	2,288	(1,312)	2,600	2,740	140
Personnel	21,566	21,566	-	13,164	13,311	147
TOTAL EXPENSES	154,966	109,174	(45,792)	132,734	101,047	(31,687)
Excess of Revenues Over Expenses	\$ <u>(5,455)</u>	\$ <u>9,840</u>	\$ <u>15,295</u>	\$ <u>-</u>	\$ <u>7,876</u>	\$ <u>7,876</u>

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

SPECIAL SERVICE AREA #63
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

1. Summary of Significant Accounting Policies

Reporting Entity: Special Service Area #63 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 West Humboldt Park 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 #63 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with the West Humboldt Park Development Council (WHPDC) to perform administrative duties as the service provider for this SSA during the reporting period. WHPDC is an Illinois not-for-profit corporation that is exempt from federal income taxes 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).

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.

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NOTES TO FINANCIAL STATEMENTS
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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, 2017 and 2016, the allowance is estimated to be 17% 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 SSA maintains its cash in a bank deposit account, which, at times, may exceed federally insured limits. The SSA had not experienced any losses in such accounts. The SSA believes it is not exposed to any significant credit risk in cash.

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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 West Humboldt Park Development Council, which provides certain administrative services for the SSA. As of December 31, 2017 and 2016, \$100 was payable for services provided. The balance 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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

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 #63 between the City of Chicago and West Humboldt Park Development Council.

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

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