## Chicago Department of Planning and Development (DPD) Special Service Area (SSA) Program Audit Report Package Transmittal Checklist

This checklist must be **completed by the SSA's auditing firm** as part of a single PDF audit report package. On the checklist, enter the starting page number within the PDF for each of the audit report package components listed below. Each required component on the checklist must have a numeric page number, unless otherwise noted.

The SSA Service Provider must upload the **PDF package** and corresponding **budget workplan file** to DPD's SharePoint **by May 1st.** Audit packages submitted <u>via e-mail are not acceptable</u>. Audit packages will be deemed "not submitted" unless uploaded to DPD's SharePoint platform.

SSA Name and Number: Walden Parkway Special Service Area Number 64							
SSA Provider Name:	Morgan Park-Beverly Hills Business Association						
Submission Date:	May 13, 2020						
Starting PDF Page Number	Audit Report Package Components						
	Comparative Financial Statements						
6	Statement of Net Position and Governmental Fund Balance     Sheet – Current Year						
6	Statement of Net Position and Governmental Fund Balance     Sheet – Prior Year						
7	3. Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Current Year						
7	<ol> <li>Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Prior Year</li> </ol>						
8	5. Statement of Revenues and Expenditures – Budget and Actual						
4	Auditor's Opinion on Financial Statements						
13	Schedule of Findings – Current and Prior Year, if applicable *						
13	Corrective Action Plan - Current and Prior Year, if applicable*						
14	Audit Firm CPA License						
15	SSA Budget Summary page – used for comparison of actual expenses for current audit period						
(Uploaded Separately)	Final Modified or Amended SSA Budget Workplan (Excel file)  Date approved by Commission: / /						
	Note: This budget workplan must correspond to Budget Summary						

<sup>\*</sup>required if findings exist

#### WALDEN PARKWAY SERVICE AREA #64

(Morgan Park - Beverly Hills Business Association, Contractor)

**Financial Statements** 

For the Years Ended December 31, 2019 and 2018

#### Walden Parkway Special Service Area #64 (Morgan Park - Beverly Hills Business Association, Contractor)

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#### **Independent Auditor's Report**

To the Board of Directors Walden Parkway Special Service Area #64 Morgan Park - Beverly Hills Business Association, Contractor Chicago, IL

We have audited the accompanying financial statements of Walden Parkway Special Service Area #64 (a taxing district authorized by the City of Chicago), which comprise the statement of net position and governmental funds balance sheet as of December 31, 2019 and 2018, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, and statement of 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 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 unmodified opinions for the years ending December 31, 2019 and 2018.

#### **Unmodified Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Walden Parkway Special Service Area #64 as of December 31, 2019 and 2018, and the results of its operations and changes in its fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Correction of Error

As discussed in Note 2 to the financial statements, certain errors resulting in overstatement of amounts previously reported for expenses as of December 31, 2018, were discovered by management during the current year. Accordingly, amounts reported for fund balance, net position and expenses have been restated in the 2018 financial statements now presented, and an adjustment has been made to the net assets as of December 31, 2018, to correct the error. Our opinion is not modified with respect to that matter.

#### **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.

Desmoned & Others Stal

May 13, 2020 Chicago, IL

## WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET As of December 31, 2019 and 2018

	2019					2018						
		ernmental				ement of		ernmental				ement of
		Funds	Ad	justments	Net	Position		Funds	Adj	ustments	Net	Position
Assets												
Current Assets												
Cash and cash equivalents	\$	10,911	\$	<u>-</u>	\$	10,911	\$	8,100	\$	-	\$	8,100
Property tax receivable		10,092		1,523		11,615		9,827		1,293		11,120
Other receivable		677				677						
Total Assets	\$	21,680	\$	1,523	\$	23,203	\$	17,927	\$	1,293	\$	19,220
Liabilities												
Accrued expenses	\$	-	\$	-	\$	-	\$	111	\$	-	\$	111
Total liabilities		-		-	\$	-		111		-	\$	111
Deferred Inflows												
Deferred property tax revenue		10,092		(10,092)		-		9,827		(9,827)		-
Fund Balance - unassigned (restated)		11,588		(11,588)		_		7,989		(7,989)		
Total Liabilities, Deferred Inflows and												
Fund Balance	\$	21,680					\$	17,927				
Net position, unrestricted (restated)			\$	23,203	\$	23,203			\$	19,109	\$	19,109
Amount reported for governmental activities in the statement of net position are different because:												
Total fund balance - governmental funds					\$	11,588					\$	7,989
Property tax revenue is recognized in the period it is												
when "available." A portion of the property tax is de	eierred	as it is not				11 615						11 120
available in the governmental funds.						11,615						11,120
Total net position - governmental activities					\$	23,203					\$	19,109

See independent auditor's report and notes to financial statements.

## WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2019 and 2018

				2019						2018		
	Gove	ernmental			Stat	ement of	Gov	ernmental			Stat	ement of
	F	Funds	Ad	justments	A	ctivities	]	Funds	Ad	justments	A	ctivities
Revenues												
Property taxes	\$	8,569	\$	495	\$	9,064	\$	8,534	\$	1,708	\$	10,242
Total revenues		8,569		495		9,064		8,534		1,708		10,242
Expenditures/Expenses												
Customer attraction - program		-		-		-		-		-		-
Public way aesthetics - program		3,963		-		3,963		7,500		-		7,500
Operational and administrative support		1,007		_		1,007		2,081				2,081
Total expenditures/expenses		4,970				4,970		9,581				9,581
Change in Fund Balance/Net Position		3,599		495		4,094		(1,047)		1,708		661
Fund Balance/Net Position												
Beginning of year		7,989		11,120		19,109		9,036		9,412		18,448
End of year	\$	11,588	\$	11,615	\$	23,203	\$	7,989	\$	11,120	\$	19,109
Amounts reported for governmental activities in the state	tement o	of activities	are di	fferent beca	use:							
Net change in fund balance - governmental funds					\$	3,599					\$	(1,047)
Property tax revenue is recognized in the year it is av when it is levied for governmental funds	ailable	rather than				495						1,708
Net change in net position - governmental activities					\$	4,094					\$	661

### WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL For the Years Ended December 31, 2019 and 2018

2018				
(Under)				
riance				
(1,825)				
(1,825)				
(859)				
(859)				
_				
-				
81				
81				
(778)				
(1,047)				

#### WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) NOTES TO FINANCIAL STATEMENTS December 31, 2019 and 2018

#### Note 1 – Nature of Operations and Summary of Significant Accounting Policies

#### Organization

The Walden Parkway Special Service Area #64 (Organization) 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 the Internal Revenue Code.

Morgan Park - Beverly Hills Business Association (the Association), Contractor for Walden Parkway Special Service Area #64 (Organization) is a not-for-profit corporation organized under the laws of the State of Illinois. The Organization was formed to revitalize the Morgan Park – Beverly Hills business district. The Organization is located within the boundaries of the City of Chicago.

#### Nature of Reporting Entity

Special Service Area #64 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 Special Service Area #64 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 #64 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with Morgan Park/Beverly Hills Business Association to perform administrative duties as the service provider for this SSA during the reporting period. Morgan Park/Beverly Hills Business Association 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 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 establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

Government-Wide financial statements (Statement 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 fund's current financial resources measurement, are prepared on the modified accrual basis.

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

#### WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK - BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) NOTES TO FINANCIAL STATEMENTS December 31, 2019 and 2018

#### Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

#### 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 related cash flows. Property taxes are recognized as revenues in the year in which 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.

#### Fund Equity/Net Position

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned. Non-spendable 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 balances is a limitation imposed by a designee of the SSA board. Unassigned fund balance is the net resources 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 balances first, then unrestricted fund balances. 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.

#### WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) NOTES TO FINANCIAL STATEMENTS December 31, 2019 and 2018

#### Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

#### Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term liquid investments such as cash in banks, money markets and other financial instruments that can be reduced to cash in thirty days or less. The Organization maintains its cash in bank accounts, which, at times, may exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization has established a separate checking account at Beverly Bank & Trust in Chicago, Illinois and all tax revenue funds are automatically deposited into this checking account.

#### **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 #64's share to the City who then remits the monies to the SSA #64.

#### **Related Party Transactions**

Walden Parkway Special Service Area #64 shares office space, equipment and employees through its affiliation with Morgan Park – Beverly Hills Business Association.

Walden Parkway Special Service Area #64 has no employees of its own but reimburses the Association for payroll and related costs of the individuals who may work on the program. It also reimburses the Association for a portion of its applicable operating expenses when incurred. There was no amount due to the Association for at December 31, 2019 and \$111 due to the Association at December 31, 2018.

#### Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles and the government accounting standards board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) NOTES TO FINANCIAL STATEMENTS December 31, 2019 and 2018

#### Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

#### Special Service Area Agreement

The City of Chicago has established a special service area known and designated as "Walden Parkway Special Service Area #64" to provide special services in addition to those services generally provided by the City. The Association has been designated as "Contractor" under terms of the agreement. The City has authorized a levy not to exceed 1.0% of the equalized assessed value of all property within the area to produce sufficient revenues to provide those special services.

The maximum amount to be paid to the Organization is the lesser of \$10,684 and \$9,827 or the amount of service tax funds collected during 2019 and 2018, respectively. For each subsequent period of the agreement, the maximum amount to be paid is the lesser of the budget for that year or the amount of service tax funds actually collected for the preceding tax year.

#### Note 2 - Correction of Error

During the year ended December 31, 2019, it was determined that certain expenses were inadvertently accounted for twice in the prior year. As a result, the accompanying financial statements for the year ended December 31, 2018 have been restated to adjust the classification of net assets at December 31, 2019. The effect of the restatement increased fund balance and net position by \$2,564, as shown in the table below.

	Dec	ember 31, 2018,				
	as Previously					cember 31, 2018,
		Reported	Adj	justment		as Restated
Fund Balance - unassigned	\$	5,425	\$	2,564	\$	7,989
Net Position - unrestricted	\$	16,545	\$	2,564	\$	19,109

#### Note 3 – Subsequent Events

For the fiscal year ended December 31, 2019, the Organization has evaluated subsequent events through May 13, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact tax levy income. Other financial impact could occur though such potential impact is unknown at this time.

#### WALDEN PARKWAY SPECIAL SERVICE AREA #64 (MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR) SCHEDULE OF FINDINGS

**December 31, 2019 and 2018** 

#### **Findings**

We have read and understand the necessary audit requirements contained in the Service Provider Agreement. Accordingly, the following exception was noted during the years ending December 31, 2019 and 2018.

#### **Finding 2019-1**

#### Criteria and Condition

Sub-Contractor agreements entered into by the Contractor, lacked the requirements outlined in the City contract. The Sub-Contractor agreements were missing the following required provisions:

- Section 6.07(b) requires that contractors must include a provision in all subcontractor agreements requiring its subcontractors to pay the Base Wage to Covered Employees.
- Section 3.04 (b) requires contractor must incorporate all of Section 3.04 by reference in all agreements entered into which covers all nondiscrimination laws under Federal, State and City statutes.

#### Auditor's Recommendation

We Recommend that the Contractor complete contracts and develop policies and procedures to adhere to the Service Provider Agreement. Contracts should include all required aspects from the Agreement and be signed by both the Contractor and Subcontractor. Additionally, we recommend documenting oversight and progress of all sub-contractors to ensure all work is being performed as contracted.

#### Contractor's Response

Management will review subcontractors' agreements and will incorporate required provisions in future proposal requests per requirements in the Service Provider Agreement.

#### **Prior Year Audit Findings**

2018-001 *Criteria and Condition:* Sub-Contractor agreements entered into by the Contractor, lacked the requirements outlined in the City contract

Current Status: See Finding 2019-001.



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For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 1748482

# Exhibit A Budget

Special Service Area # 64

Service Provider Agency:

Morgan Park Beverly Hills Business Association

## 2019 BUDGET SUMMARY

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

	2018	Levy				
CATEGORY	Collectable Levy	Estimated Loss Collection	Carryover Funds	TIF Rebate Fund #	Estimated Late Collections and Interest	Total All Sources 2018 Budget
1.00 Customer Attraction	\$0	\$327	\$0	\$0	\$327	\$654
2.00 Public Way Aesthetics	\$7,500	\$0	\$0	\$0	\$0	\$7,500
3.00 Sustainability and Public Places	\$0	\$0	\$0	\$0	\$0	\$0
4.00 Economic/ Business Development	\$0	\$0	\$0	\$0	\$0	\$0
5.00 Safety Programs	\$0	\$0	\$0	\$0	\$0	\$0
6.00 SSA Management	\$2,000	\$0	\$0	\$0	\$0	\$2,000
7.00 Personnel	\$0	\$0		\$0	\$0	\$0
Sub-total	\$9,500	\$327				
GRAND TOTALS Levy Total	\$9,	827	\$0	\$0	\$327	\$10,154

LEVY ANALYSIS	
Estimated 2018 EAV:	\$1,719,657
Authorized Tax Rate Cap:	2.500%
Maximum Potential Levy limited by Rate Cap:	\$42,991
Requested 2018 Levy Amount:	\$9,827
Estimated Tax Rate to Generate 2017 Levy:	0.5715%

LEVY CHANGE FROM PREVIO	US YEAR				
2017 Levy Total (in 2018 budget)	\$9,500				
2018 Levy Total (in 2019 budget)	\$9,827				
Percentage Change	3.44%				
Community meeting required if levy amount increases greater than 5% from previous levy.					

CARRYOVER CALCULATION						
2018 Budget Total						
2019 Carryover	\$0					
Percentage	#DIV/0!					

	OSS COLLECTION	EXPLANATION REQUIRED IF AMOUNT VARIES IN 2017	FROM ACTUAL	
Actual amount of Levy not collected in 2017		Amount Proposed for 2019		
		\$327		
This figure will be presented by Se	rovided by DPD and rvice Provider			

LATE COLLECTIONS AND INTERES refunds to 0		EXPLANATION REQUIRED IF AMOUNT VARIES FROM LOSS COLLECTION FIGURE
	Amount Proposed for 2019	
	\$327	
This figure will be provided by DPD and entered by Service Provider		

## 2018 BUDGET & SERVICES - SIGNATURE PAGE

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

The 2019 Budget & Services were approved by the SSA Commission.

SSA Chairperson Signature Printed Name Date