

Preliminary **Draft**  
for Discussion Purposes Only  
Personal and Confidential

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

FINANCIAL STATEMENTS

DECEMBER 31, 2014

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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

As of December 31, 2014

TABLE OF CONTENTS

Preliminary **Draft**  
for Discussion Purposes Only  
Personal and Confidential

	PAGE
<u>INDEPENDENT AUDITOR'S REPORT</u>	2
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Position and Governmental Funds Balance Sheet	3
Statement of Activities and Governmental Funds, Revenues, Expenditures and Changes in Fund Balances	4
Statement of Revenues and Expenditures – Budget and Actuals	5
<u>NOTES TO FINANCIAL STATEMENTS</u>	6-8
Summary Schedule of Audit Findings	9

Preliminary Draft  
for Discussion Purposes Only  
Personal and Confidential

SPECIAL SERVICE AREA #63  
(a taxing district authorized by the City of Chicago  
Managed by West Humboldt Park Development Council  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
December 31, 2014

	Governmental Funds	Adjustments	Statement of Activities
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash	\$ 12,752	\$ -	\$ 12,752
Property Tax Receivable, net of allowance for uncollectable taxes of \$4,968	119,232	-	119,232
	\$ 131,984	\$ -	\$ 131,984
<b>LIABILITIES</b>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 10,993	\$ -	\$ 10,993
Due to WHPDC	2,563	-	2,563
	13,556	-	13,556
<b>DEFERRED INFLOWS</b>			
Deferred Property Tax Revenue	110,646	(110,646)	-
<b>FUND BALANCES / NET POSITION</b>			
<u>Non-spendable:</u>			
Prepaid Items	-	-	-
<u>Committed:</u>			
	-	-	
<u>Assigned:</u>			
	-	-	
<u>Unassigned</u>			
	7,782	(7,782)	-
TOTAL FUND BALANCE	7,782	(7,782)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 131,984		
<u>Net Position</u>			
Restricted		\$ 118,428	\$ 118,428

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

Total fund balance - governmental funds	\$ 7,782
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.	110,646
Total net position - governmental activities	\$ 118,428

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

SPECIAL SERVICE AREA #63  
(a taxing district authorized by the City of Chicago)  
Managed by West Humboldt Park Development Council  
Statement of Activities and Governmental, Funds, Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2014

**Preliminary Draft**  
for Discussion Purposes Only  
Personal and Confidential

	Governmental Funds	Adjustments	Statement of Net Position
<b>REVENUES:</b>			
Property Taxes	\$ 95,579	\$ 246	\$ 95,825
Interest Income	-	-	-
<b>TOTAL REVENUE</b>	<b>95,579</b>	<b>246</b>	<b>95,825</b>
<b>EXPENSES:</b>			
<b>Services:</b>			
Public Way Maintenance	3,520	-	3,520
Public Way Aesthetics	11,400	-	11,400
Safety Programs	27,828	-	27,828
District Planning	30,000	-	30,000
<b>Total Services Expense</b>	<b>72,748</b>	<b>-</b>	<b>72,748</b>
<b>Administration:</b>			
Personnel	12,780	-	12,780
Admin - nonpersonnel	2,269	-	2,269
<b>Total Administration Expense</b>	<b>15,049</b>	<b>-</b>	<b>15,049</b>
<b>TOTAL EXPENSES</b>	<b>87,797</b>	<b>-</b>	<b>87,797</b>
 Excess of revenues over expenditures	 7,782	 (7,782)	
Change in Net Position		8,028	8,028
<b>FUND BALANCE/NET POSITION</b>			
Beginning of the Year	-	110,400	110,400
End of the Year	\$ 7,782	\$ 110,646	\$ 118,428

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

Net change in Fund balance - governmental funds	\$ 7,782
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	246
Change in Net Position	\$ 8,028

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

SPECIAL SERVICE AREA #63  
(a taxing district authorized by the City of Chicago)  
Managed by West Humboldt Park Development Council  
Statement of Revenues and Expenditures - Budget and Actual  
For the Year Ended December 31, 2014

**Preliminary Draft**  
for Discussion Purposes Only  
Personal and Confidential

	<u>BUDGET</u> <u>2014</u>	<u>ACTUAL</u> <u>2014</u>	<u>VARIANCE</u> <u>\$</u>
<b>REVENUES:</b>			
Property Taxes	\$ 115,000	\$ 95,579	\$ (19,421)
Interest Income	-		-
Other Revenue	-		-
Loss Collection	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
<b>TOTAL REVENUE</b>	<u>113,000</u>	<u>95,579</u>	<u>(17,421)</u>
<b>EXPENSES:</b>			
<b>Services:</b>			
Public Way Maintenance			
Sidewalk Cleaning	18,000	11,400	(6,600)
<b>Total Public Way Maintenance</b>	<u>18,000</u>	<u>11,400</u>	<u>(6,600)</u>
Public Way Aesthetics			
Banners and/or Holiday Decorations	5,000	3,520	(1,480)
<b>Total Public Way Aesthetics</b>	<u>5,000</u>	<u>3,520</u>	<u>(1,480)</u>
Safety Programs			
Security Services	45,219	27,828	(17,391)
<b>Total Safety Programs</b>	<u>45,219</u>	<u>27,828</u>	<u>(17,391)</u>
District Planning			
SSA Designation	30,000	30,000	-
<b>Total District Planning</b>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Personnel			
<b>Total Personnel</b>	12,781	12,780	(1)
Admin Non-Personnel			
Audit	2,000	-	(2,000)
Office Supplies	-	2,000	2,000
Banking Fees	-	269	269
<b>Total Admin - nonpersonnel</b>	<u>2,000</u>	<u>2,269</u>	<u>269</u>
<b>TOTAL EXPENSES</b>	<u>113,000</u>	<u>87,797</u>	<u>(25,203)</u>
<b>Excess of Revenues Over Expenses</b>	<u>\$ -</u>	<u>7,782</u>	<u>\$ 7,782</u>

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

SPECIAL SERVICE AREA #63  
(a taxing district authorized by the City of Chicago)  
Managed by West Humboldt Park Development Council  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Preliminary Draft**  
for Discussion Purposes Only  
Personal and Confidential

1. Summary of Significant Accounting Policies

**Reporting Entity:** Special Service Area #63 (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 #63  
(a taxing district authorized by the City of Chicago)  
Managed by West Humboldt Park Development Council  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Preliminary Draft**  
for Discussion Purposes Only  
Personal and Confidential

**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 #63  
(a taxing district authorized by the City of Chicago)  
Managed by West Humboldt Park Development Council  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Preliminary Draft**  
for Discussion Purposes Only  
Personal and Confidential

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 West Humboldt Park Development Council (WHPDC), which provides certain administrative services for the SSA. As of December 31, 2014, \$2,563 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. Basis of Accounting Change

Because of the new reporting requirements from the City of Chicago, the city-wide SSAs changed their basis of accounting to follow the standards established by the Government Accounting Standards Board (GASB) applicable to governmental entities. Previously, city-wide SSAs were following a basis of accounting similar to a not-for-profit entity under the standards of the Financial Accounting Standards Board (FASB). The result of the change in accounting is an opening Deferred Property Tax Revenue balance of \$110,646. The deferred revenue opening balance represents the expected collections of the 2013 Property Tax Levy.



SPECIAL SERVICE AREA #63  
(a taxing district authorized by the City of Chicago)  
Managed by West Humboldt Park Development Council  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Preliminary Draft**  
for Discussion Purposes Only  
Personal and Confidential

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 the West Humboldt Park Development Council.

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