

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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

As of December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017 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 ACT Group LLC

The ACT Group, LLC
Certified Public Accountants
July 31, 2019

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 Fund Balance Sheets
 December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
Current Assets						
Cash	\$ 57,976	\$ -	\$ 57,976	\$ 32,402	\$ -	\$ 32,402
Property Tax Receivable, net of allowance for uncollectable taxes of \$21,297 and \$21,769	103,980	-	103,980	106,285	-	106,285
TOTAL ASSETS	\$ 161,956	\$ -	\$ 161,956	\$ 138,687	\$ -	\$ 138,687
LIABILITIES						
Accounts Payable	\$ 7,415	\$ -	\$ 7,415	\$ 11,648	\$ -	\$ 11,648
Due to WH/PDC	4,464	-	4,464	100	-	100
TOTAL LIABILITIES	11,879	-	11,879	11,748	-	11,748
DEFERRED INFLOWS						
Deferred Property Tax Revenue	103,434	(103,434)	-	103,735	(103,735)	-
FUND BALANCES / NET POSITION						
Non-spendable:	-	-	-	-	-	-
Committed:	-	-	-	-	-	-
Assigned:	-	-	-	-	-	-
Unassigned	46,643	(46,643)	-	23,204	(23,204)	-
TOTAL FUND BALANCE	46,643	(46,643)	-	23,204	(23,204)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BAL.	\$ 161,956			\$ 138,687		
Net Position						
Restricted		\$ 150,077	\$ 150,077	\$ 126,939	\$ 126,939	\$ 126,939

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

Total fund balance - governmental funds	\$ 46,643	\$ 23,204
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.	103,434	103,735
Total net position - governmental activities	\$ 150,077	\$ 126,939

SPECIAL SERVICE AREA #63
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Statements of Activities and Governmental Fund/
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Activities	Governmental Funds	Adjustments	Statement of Activities
REVENUES:						
Property Taxes	\$ 124,402	\$ (301)	\$ 124,101	\$ 119,014	\$ (20,359)	\$ 98,655
TOTAL REVENUE	124,402	(301)	124,101	119,014	(20,359)	98,655
EXPENSES:						
Services:						
Customer Attraction	500	-	500	10,590	-	10,590
Public Way Aesthetics	35,286	-	35,286	22,233	-	22,233
Economic/Business Development	-	-	-	-	-	-
Safety Programs	37,351	-	37,351	52,497	-	52,497
Total Services Expense	73,137	-	73,137	85,320	-	85,320
Administration:						
Personnel	17,101	-	17,101	21,566	-	21,566
Admin - nonpersonnel	10,725	-	10,725	2,288	-	2,288
Total Administration Expense	27,826	-	27,826	23,854	-	23,854
TOTAL EXPENSES	100,963	-	100,963	109,174	-	109,174
Excess of revenues over expenditures	23,439	(23,439)		9,840	(9,840)	
Change in Net Position		23,138	23,138		(10,519)	(10,519)
FUND BALANCE/NET POSITION						
Beginning of the Year	23,204	103,735	126,939	13,364	124,094	137,458
End of the Year	\$ 46,643	\$ 103,434	\$ 150,077	\$ 23,204	\$ 103,735	\$ 126,939

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

Net change in Fund balance - governmental funds	\$ 23,439	\$ 9,840
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	(301)	(20,359)
Change in net position	\$ 23,138	\$ (10,519)

SPECIAL SERVICE AREA #63
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Managed by West Humboldt Park Development Council
Schedule of Revenues and Expenditures - Budget and Actual
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES:						
Property Taxes	\$ 105,615	\$ 124,402	\$ 18,787	\$ 101,411	\$ 119,014	\$ 17,603
Loss Collection	22,439	-	(22,439)	26,644	-	(26,644)
Late Collections	22,439	-	(22,439)	21,456	-	(21,456)
TOTAL REVENUE	150,493	124,402	(26,091)	149,511	119,014	(30,497)
EXPENSES:						
Customer Attraction	12,559	500	3,090	7,500	10,590	3,090
Public Way Aesthetics	74,224	35,286	(60,972)	73,241	22,233	(51,008)
Economic/Business Development	-	-	(5,059)	5,059	-	(5,059)
Safety Programs	44,000	37,351	8,497	44,000	52,497	8,497
SSA Mgt/Admin - nonpersonnel	3,600	10,725	(1,312)	3,600	2,288	(1,312)
Personnel	21,565	17,101	(4,464)	21,566	21,566	-
TOTAL EXPENSES	155,948	100,963	(60,220)	154,966	109,174	(45,792)
Excess of Revenues Over Expenses	\$ (5,455)	\$ 23,439	\$ 34,129	\$ (5,455)	\$ 9,840	\$ 15,295

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 Managed by West Humboldt Park Development Council
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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, 2018 and 2017, 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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FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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, 2018 and 2017, \$4,464 and \$100, respectively, 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, 2018 and 2017

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 Planning and Development issued in 2017, we have read and understand the requirements contained in the Agreement for Special Service Area #63 between the City of Chicago and West Humboldt Park Development Council.

Current year findings

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

Management response:

WHPDC will pay closer attention to monthly financial statements and adjust the budget as needed.

Update of prior year findings:

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

Management response:

WHPDC will pay closer attention to monthly financial statements and adjust the budget as needed.

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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August 2, 2019

To the Board of Directors of West Humboldt Park Development Council and
Commissioners of Special Service Area #63

We have audited the financial statements of SSA #63 for the year ended December 31, 2018, and have issued our report thereon dated July 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our e-mail to you on May 24, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SSA #63 are described in Note 1 to the financial statements. The SSA changed their basis of accounting to follow the standards established by the Government Accounting Standards Board (GASB) applicable to government entities in 2014. 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). This change was required by the City of Chicago.

We noted no transactions entered into by the Organization during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was: allowance for property tax receivables of 17%.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were: Note 4 Related party Transactions.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 29, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of West Humboldt Park Development Council, Commissioners of SSA #63 and the Executive Director of the Organization and is not intended to be, and should not be, used by anyone other than specified parties.

Very truly yours,

The A.C.T. Group LLC

The A.C.T. Group, LLC
Certified Public Accountants
Chicago, Illinois

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