

Draft
Preliminary
for Discussion Purposes Only
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SPECIAL SERVICE AREA #63
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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

As of December 31, 2015

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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 year ended December 31, 2015, 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 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 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, 2015 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.

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.

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Certified Public Accountants
Chicago, Illinois

SPECIAL SERVICE AREA #63
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Managed by West Humboldt Park Development Council
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2015

ASSETS	Governmental Funds	Adjustments	Statement of Net Position
<u>Current Assets</u>			
Cash	\$ 10,723	\$ -	\$ 10,723
Property Tax Receivable, net of allowance for uncollectable taxes of \$21,761	106,242	-	106,242
TOTAL ASSETS	\$ 116,965	\$ -	\$ 116,965
LIABILITIES			
Accounts Payable	\$ 5,355	\$ -	\$ 5,355
Due to WHPDC	100	-	100
TOTAL LIABILITIES	5,455	-	5,455
DEFERRED INFLOWS			
Deferred Property Tax Revenue	106,022	(106,022)	-
FUND BALANCES / NET POSITION			
<u>Non-spendable:</u>	-	-	-
<u>Committed:</u>	-	-	-
<u>Assigned:</u>	-	-	-
<u>Unassigned</u>	5,488	(5,488)	-
TOTAL FUND BALANCE	5,488	(5,488)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 116,965		
<u>Net Position</u>			
Restricted		\$ 111,510	\$ 111,510

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

Total fund balance - governmental funds	\$ 5,488
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.	106,022
Total net position - governmental activities	\$ 111,510

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

SPECIAL SERVICE AREA #63
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Statement of Activities and Governmental, Funds, Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2015

	Governmental Funds	Adjustments	Statement of Activities
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REVENUES:			
Property Taxes	\$ 105,288	\$ (4,624)	\$ 100,664
Interest Income	<u>5</u>	<u>-</u>	<u>5</u>
TOTAL REVENUE	<u>105,293</u>	<u>(4,624)</u>	<u>100,669</u>
EXPENSES:			
Services:			
Customer Attraction	300	-	300
Public Way Aesthetics	49,630	-	49,630
Safety Programs	<u>42,279</u>	<u>-</u>	<u>42,279</u>
Total Services Expense	<u>92,209</u>	<u>-</u>	<u>92,209</u>
Administration:			
Personnel	13,164	-	13,164
Admin - nonpersonnel	<u>2,214</u>	<u>-</u>	<u>2,214</u>
Total Administration Expense	<u>15,378</u>	<u>-</u>	<u>15,378</u>
TOTAL EXPENSES	<u>107,587</u>	<u>-</u>	<u>107,587</u>
Excess of revenues over expenditures	(2,294)	2,294	
Change in Net Position		(6,918)	(6,918)
FUND BALANCE/NET POSITION			
Beginning of the Year	<u>7,782</u>	<u>110,646</u>	<u>118,428</u>
End of the Year	<u>\$ 5,488</u>	<u>\$ 106,022</u>	<u>\$ 111,510</u>

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

Net change in Fund balance - governmental funds	\$ (2,294)
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>(4,624)</u>
Change in net position	<u>\$ (6,918)</u>

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

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SPECIAL SERVICE AREA #63
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Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2015 and 2014

	2015			2014		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES:						
Property Taxes	\$ 118,450	\$ 94,035	\$ (24,415)	\$ 115,000	\$ 95,579	\$ (19,421)
Interest Income	-	5	5	-	-	-
Loss Collection	(2,060)	-	2,060	(2,000)	-	2,000
Late Collections	5,750	11,253	5,503	-	-	-
TOTAL REVENUE	122,140	105,293	(16,847)	113,000	95,579	(17,421)
EXPENSES:						
Customer Attraction						
Website	900	-	(900)	-	-	-
Special Events	1,000	300	(700)	-	-	-
Printed Materials	1,000	-	(1,000)	-	-	-
Display Advertising	1,000	-	(1,000)	-	-	-
Total Customer Attraction	3,900	300	(3,600)	-	-	-
Public Way Aesthetics						
Streetscape Elements	9,060	-	(9,060)	-	-	-
Public Art	5,150	22,500	17,350	-	-	-
Sidewalk Maintenance	35,540	27,130	(8,410)	-	-	-
Banners and/or Holiday Decorations	-	-	-	5,000	3,520	(1,480)
Total Public Way Aesthetics	49,750	49,630	(120)	5,000	3,520	(1,480)
Economic/Business Development						
SSA Designation	-	-	-	30,000	30,000	-
Total Econ./Bus. Development	-	-	-	30,000	30,000	-
Safety Programs						
Security Patrol Services	46,576	42,279	(4,297)	45,219	27,828	(17,391)
Total Safety Programs	46,576	42,279	(4,297)	45,219	27,828	(17,391)
Public Way Maintenance						
Sidewalk Cleaning	-	-	-	18,000	11,400	(6,600)
Total Public Way Maintenance	-	-	-	18,000	11,400	(6,600)
SSA Mgt/Admin. Non-Personnel						
Audit	3,000	2,200	(800)	2,000	-	(2,000)
Office Supplies	-	-	-	-	2,000	2,000
Banking Fees	-	14	14	-	269	269
Total Total SSA Mgt./Admin. Non-Personnel	3,000	2,214	(786)	2,000	2,269	269
Personnel						
Total Personnel	18,914	13,164	(5,750)	12,781	12,780	(1)
TOTAL EXPENSES	122,140	107,587	(14,553)	113,000	87,797	(25,203)
Excess of Revenues Over Expenses	\$ -	\$ (2,294)	\$ (2,294)	\$ -	\$ 7,782	\$ 7,782

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FOR THE YEAR ENDED DECEMBER 31, 2015

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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)(6) 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.

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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, 2015, the allowance is estimated to be 17.0% 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.

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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, 2015, there was \$100 outstanding balance due to West Humboldt Park Development Council for services provided.

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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FOR THE YEAR ENDED DECEMBER 31, 2015

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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