

KEDZIE INDUSTRIAL TRACT
SPECIAL SERVICE AREA NUMBER 7
(Back of the Yards Neighborhood Council, Contractor)
Financial Statements and
Additional Information
For the Year Ended December 31, 2015

KEDZIE INDUSTRIAL TRACT
SPECIAL SERVICE AREA NUMBER 7
(Back of the Yards Neighborhood Council, Contractor)

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To the Board of Directors - Commissioners of
Kedzie Industrial Tract Special Service Area Number 7
Back of the Yards Neighborhood Council, Contractor
Chicago, IL

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7** (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, 2015 and the related statements of activities and governmental funds, revenues and expenditures - budget and actual, for the year 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 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 from 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 audit opinion.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7** as of December 31, 2015, and the changes in its fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cary J. Hall & Associates, LLC

February 23, 2016
Chicago, Illinois

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2015

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 35,492	\$ -	\$ 35,492
Real estate taxes receivable, less allowance for uncollectible taxes of \$12,000	110,781	-	110,781
Total Assets	<u>\$ 146,273</u>	<u>\$ -</u>	<u>\$ 146,273</u>
LIABILITIES			
Accounts payable	\$ 1,027	\$ -	\$ 1,027
Total Liabilities	1,027	-	1,027
DEFERRED INFLOWS			
Deferred property tax revenue	123,357	(123,357)	-
FUND BALANCE/NET POSITION			
Unassigned	21,889	(21,889)	-
Total Fund Balance	<u>21,889</u>	<u>(21,889)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 146,273</u>		
Net Position - Unrestricted		<u>\$ 145,246</u>	<u>\$ 145,246</u>

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

Total fund balance - governmental funds	\$ 21,889
Property tax revenue is recognized in the period it is levied rather than when "available"	
A portion of the property tax is deferred as it is not available in the governmental funds	123,357
Total Net Position	<u>\$ 145,246</u>

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

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Statement of Activities and Governmental Funds, Revenues, Expenditures
and Changes in Fund Balance

For the Year Ended December 31, 2015

REVENUES	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Property Taxes	\$ 122,572	\$ (1,210)	\$ 121,362
Total Revenues	<u>122,572</u>	<u>(1,210)</u>	<u>121,362</u>
EXPENDITURES/EXPENSES			
Customer Attraction	500	-	500
Public Way Aesthetics	6,960	-	6,960
Safety Programs	65,572	-	65,572
Personnel - Operational Program Support	28,379	-	28,379
Administration:			
SSA Management	<u>20,409</u>	<u>-</u>	<u>20,409</u>
Total Expenditures/ Expenses	<u>121,820</u>	<u>-</u>	<u>121,820</u>
Excess of Revenues Over Expenditures	752	(752)	
Change in Net Position		(458)	(458)
FUND BALANCE/NET POSITION			
Beginning of Year	<u>21,137</u>	<u>124,567</u>	<u>145,704</u>
End of year	<u>\$ 21,889</u>	<u>\$ 123,357</u>	<u>\$ 145,246</u>

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

Net change in fund balance - governmental funds	\$ 752
Property tax revenue is recognized in the year it is available rather than when it is levied for governmental funds	<u>(1,210)</u>
Net change in net position - governmental funds	<u>\$ (458)</u>

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

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Schedule of Revenue and Expenditures - Budget and Actual

For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUES			
Real estate taxes current period	\$ 120,210	\$ 123,357	\$ (3,147)
Real estate taxes - prior period	4,358	2,200	2,158
Interest and other income	4	-	4
Loss collection	(2,000)	(2,000)	-
Total Revenues	<u>122,572</u>	<u>123,557</u>	<u>(985)</u>
EXPENDITURES			
Customer Attraction			
Website	500	500	-
Total Customer Attraction	500	500	-
Public Way Aesthetics			
Sidewalk Maintenance	-	5,000	(5,000)
Sidewalk cleaning	3,000	3,000	-
Gate maintenance / repair	3,960	2,500	1,460
Total Public Way Aesthetics	6,960	10,500	(3,540)
Economic / Business Development			
Site marketing	-	2,000	(2,000)
Total Economic / Business Development	-	2,000	(2,000)
Safety Programs			
Security patrol services	65,572	66,000	(428)
Total Safety Programs	65,572	66,000	(428)
Personnel			
Program personal cost allocation	28,379	28,379	-
Total Personnel	28,379	28,379	-

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

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Schedule of Revenue and Expenditures - Budget and Actual

For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
SSA Management			
Administrative non-personal cost allocation	8,030	8,030	-
Audit/ Bookkeeping	6,932	8,432	(1,500)
Office Rent	1,500	1,500	-
Office utilities	200	200	-
Office supplies	100	100	-
Office equipment lease / maintenance	200	200	-
Office printing	500	500	-
Postage	100	100	-
Meeting expenses	79	1,050	(971)
Banking fees	480	500	(20)
Supplies	288	300	(12)
Liability / property insurance	2,000	2,000	-
Total SSA Management	<u>20,409</u>	<u>22,912</u>	<u>(2,503)</u>
Total Expenses	<u>121,820</u>	<u>130,291</u>	<u>(8,471)</u>
Excess of Revenues over Expenses	<u>\$ 752</u>	<u>\$ (6,734)</u>	<u>\$ 7,486</u>

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

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - On June 26, 1985, the City Council of the City of Chicago enacted an ordinance, last amended December 15, 1992, which established an area known and designated as City of Chicago Special Service Area #7 and authorized the levy of an annual tax not to exceed an annual rate of five percent of the equalized assessed value of the taxable property therein to provide certain special services in and for the area in addition to the services provided by and to the City of Chicago generally.

In 1977, **The Kedzie Tract Industrial Association, Inc.** ("KTIA") had been created to provide special community services, in addition to those provided by the City of Chicago, to the Kedzie Tract which is the industrial area within the boundaries of Kedzie Avenue on the east, Central Park on the west, 49th Street on the south and 47th Street on the north, all boundaries identical to those defined by SSA #7. Under an agreement between the City of Chicago (represented by the Special Service Area Commission) and The Kedzie Tract Industrial Association, Inc., all activities of Special Service Area #7 were performed by KTIA. Services provided include street resurfacing, snow removal, sewer and water line improvements, electrical improvements, refurbishing of railroad crossings, private security, area clean-up, graffiti removal, and technical assistance to promote commercial and economic development within the area.

On March 12, 2008, the board of directors, with members present from the Chicago City Department of Planning decided to replace KTIA as the service provider with Back of the Yards Neighborhood Council beginning January 1, 2009.

The tax levy is in addition to all other property taxes. Tax levied are billed, collected, and remitted by the City to the Special Service Area. Any unused tax levy for approved activities can be used by the Special Service Area in the succeeding year with City Approval.

Back of the Yards Neighborhood Council, Contractor for Special Service Area # 7 is an not-for-profit corporation organized under the laws of the State of Illinois. The Back of the Yards Neighborhood Council is a community organization whose mission is to enhance the general welfare of all residents, organizations, and businesses by integrating social service and economic development programs.

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - For tax filings, the Organization is monitored for compliance by the Back of the Yards Neighborhood Council, which is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified by the Internal Revenue Service as a private foundation.

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 Positions 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.

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.

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Cash and Cash Equivalents - Cash and cash equivalents is 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 and all tax revenue funds are automatically deposited into this checking account. The Contractor did not commingle Service Tax funds with funds from any other source.

Special Service Area Agreement - The City of Chicago has established a special service area known and designated as "Special Service Area Number 10" to provide special services in addition to those services generally provided by the City. Back of the Yards Neighborhood Council has been designated as "Contractor" under terms of the agreement. The City has authorized a levy not to exceed 2.5% of the equalized assessed value of all property within the area to produce sufficient revenues to provide those special services.

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Date of Management's Review - Management has evaluated subsequent events through February 23, 2016, the date on which the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS

The Organization maintains its cash balances at a high quality financial institution. Balances at times may exceed federally insured credit limits.

The Special Service Area receives 100% of its operating support from revenues collected from taxes levied or imposed upon property within the area.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Organization is an affiliate of the Special Service Area Numbers 10, 13, and 39 and Back of the Yards Neighborhood Council. The Organization contracts with the Back of the Yards Neighborhood Council as the sole service provider in order to administer and provide direct services on behalf of the Organization , which has no employees.

Total expenses charged to the Organization for service related fees for the year ended December 31, 2015 were as follows:

Personnel	\$	36,409
Bookkeeping		932
Office rent		1,500
Utilities		200
Office supplies		100
Office equipment		200
Printing		500
Postage		100
Insurance		2,000
	\$	<u>41,941</u>

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

NOTE 4 - 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 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 remits the monies to the SSA.

ADDITIONAL INFORMATION

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The Board of Directors of
Kedzie Industrial Tract Special Service Area Number 7
Back of the Yards Neighborhood Council, Contractor
Chicago, IL

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

We have audited the financial statements of **KEDZIE INDUSTRIAL TRACT SERVICE AREA NUMBER 7** as of and for the year ended December 31, 2015, and have issued our report thereon dated February 23, 2016 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The summary schedule of findings is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cary J. Hall & Associates, LLC

February 23, 2016
Chicago, Illinois

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Summary Schedule of Findings

For the Year Ended December 31, 2015

We have read the requirements of the Service Provider Agreement between Special Service Area # 7, Contractor, and the City of Chicago. Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters which we had no knowledge.

Certain items of emphasis are provided:

SIGNIFICANT ASSUMPTIONS

Current Year Levy	123,357
Uncollected balance in prior year levies	110,781
Prior year deferred revenue was	123,357

Allowance is approximately 9% of the receivable in loss collection.

See independent auditor's report on additional information.