

KEDZIE INDUSTRIAL TRACT
SPECIAL SERVICE AREA NUMBER 7
(Back of the Yards Neighborhood Council, Contractor)
Financial Statements and
Supplementary Information
For the Years Ended December 31, 2018 and 2017

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

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Cary J. Hall & Associates, LLC
Certified Public Accountants & Consultants

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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying statement of financial position 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, 2018 and 2017 and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, for the years ended December 31, 2018 and 2017, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, and its statements of activities and governmental funds, revenues, expenditures and changes in fund balances for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 the financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The comparison schedules of actual revenues and expenses to budget for the years ended December 31, 2018 and 2017 on page 8-9, are presented for comparison and analysis purposes only and are not a required part of the financial statements but are required by the City of Chicago Department of Housing and Economic Development and the City of Chicago **KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7**. The supplementary information is not a required part of the basic 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

April 16, 2019
Chicago, Illinois

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

Statements of Net Position and Governmental Funds Balance Sheet
December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
Cash	\$ 48,586	\$ -	\$ 48,586	\$ 36,071	\$ -	\$ 36,071
Real estate taxes receivable, less allowance for uncollectible taxes of \$12,000	132,698	-	132,698	127,373	-	127,373
Total Assets	<u>\$ 181,284</u>	<u>\$ -</u>	<u>\$ 181,284</u>	<u>\$ 163,444</u>	<u>\$ -</u>	<u>\$ 163,444</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 4,291	\$ -	\$ 4,291	\$ 3,193	\$ -	\$ 3,193
Total Liabilities	4,291	-	4,291	3,193	-	3,193
DEFERRED INFLOWS						
Deferred property tax revenue	125,546	(125,546)	-	125,467	(125,467)	-
FUND BALANCE/NET POSITION						
Unassigned	51,447	(51,447)	-	34,784	(34,784)	-
Total Fund Balance	51,447	(51,447)	-	34,784	(34,784)	-
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 181,284</u>			<u>\$ 163,444</u>		
Net Position - Unrestricted		<u>\$ 176,993</u>	<u>\$ 176,993</u>		<u>\$ 160,251</u>	<u>\$ 160,251</u>

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

Total fund balance - governmental funds		\$ 51,447		\$ 34,784
Property tax revenue is recognized in the period it is levied rather than when "available"			125,546	125,467
A portion of the property tax is deferred as it is not available in the governmental funds.				
Total net position - governmental activities		<u>\$ 176,993</u>		<u>\$ 160,251</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)**

Statements of Activities and Governmental Funds, 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	\$ 124,067	\$ 79	\$ 124,146	\$ 134,127	\$ 2,110	\$ 136,237
Total Revenues	124,067	79	124,146	134,127	2,110	136,237
EXPENDITURES/EXPENSES						
Program Services:						
Customer Attraction	500	-	500	500	-	500
Public Way Aesthetics	6,604	-	6,604	11,134	-	11,134
Safety programs	61,339	-	61,339	67,441	-	67,441
Personnel - Operational Program Support	25,000	-	25,000	29,975	-	29,975
Administration:						
SSA Management	13,961	-	13,961	7,300	-	7,300
Total Expenditures/ Expenses	107,404	-	107,404	116,350	-	116,350
Excess of Revenues Over Expenses	16,663	(16,663)		17,777	(17,777)	
Change in Net Position		16,742	16,742		19,887	19,887
FUND BALANCE/NET POSITION						
Beginning of Year	34,784	125,467	160,251	17,007	123,357	140,364
End of year	\$ 51,447	\$ 125,546	\$ 176,993	\$ 34,784	\$ 125,467	\$ 160,251

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

Net change in fund balance - governmental funds	\$ 16,663	\$ 17,777
Property tax revenue is recognized in the year it is available rather than when it is levied for governmental funds	79	2,110
Net change in net position - governmental funds	\$ 16,742	\$ 19,887

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, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Reporting Entity - Special Service Area ("SSA") #7 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 Kedzie Industrial Tract District. The SSA is funded by property taxes levied on properties within the SSA boundaries, which are collected by the Cook County Treasure, and then distributed by the City of Chicago, to the SSA.

Special Service Area # 7 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with the Back of the Yards Neighborhood Council to perform administrative duties as the service provider for this SSA during the reporting period. Back of the Yard's Neighborhood Council is Illinois not-for-profit corporation that is exempt from federal income taxes under Section 501 s(3) of the Internal Revenue Code.

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.

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Special Service Area Agreement - The City of Chicago has established a special service area known and designated as "Special Service Area Number 7" 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.

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.

Date of Management's Review - Management has evaluated subsequent events through April 16, 2019, the date on which the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS

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

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 3 - RELATED PARTY TRANSACTIONS

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

Expense reimbursements to the Service Provider are summarized below:

	<u>2018</u>	<u>2017</u>
Audit/ Bookkeeping	\$ 6,500	\$ 6,183
Office Rent	2,400	459
Office utilities	1,000	-
Office supplies	250	-
Office equipment lease / maintenance	250	-
Meeting expenses	253	-
Banking fees	400	-
Liability / property insurance	2,908	658
Personnel	25,000	29,975
Totals	<u>\$ 38,961</u>	<u>\$ 37,275</u>

NOTE 4 - PROPERTY TAXES

Property taxes become an enforceable line 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.

Supplementary Information

KEDZIE INDUSTRIAL TRACT SPECIAL SERVICE AREA NUMBER 7

(Back of the Yards Neighborhood Council, Contractor)

Schedule of Revenues and Expenditures - Budget and Actual

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Actual	Budget	Variance	Actual	Budget	Variance
REVENUES						
Real estate taxes current period	\$ 130,278	\$ 125,556	\$ 4,722	\$ 124,502	\$ 123,357	\$ 1,145
Real estate taxes - prior period	(4,237)		(4,237)	11,614	3,382	8,232
Interest and other income	26	-	26	11	-	11
Loss collection	(2,000)	(1,073)	(927)	(2,000)	(2,000)	-
Total Revenues	124,067	124,483	(416)	134,127	124,739	9,388
EXPENDITURES						
Customer Attraction						
Website	500	500	-	500	500	-
Print Materials	-	500	(500)	-	1,500	(1,500)
Total Customer Attraction	500	1,000	(500)	500	2,000	(1,500)
Public Way Aesthetics						
Landscaping	-	4,000	(4,000)	1,306	8,000	(6,694)
Sidewalk Maintenance	4,000	3,000	1,000	8,100	7,500	600
Way finding/signage		2,000	(2,000)		6,000	(6,000)
Gate maintenance / repair	1,604	5,133	(3,529)	728	5,000	(4,272)
Supplies	1,000	1,000	-	1,000	1,000	-
Total Public Way Aesthetics	6,604	15,133	(8,529)	11,134	27,500	(16,366)
Safety Programs						
Security patrol services	61,339	76,396	(15,057)	67,441	67,529	(88)
Total Safety Programs	61,339	76,396	(15,057)	67,441	67,529	(88)

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 Revenues and Expenditures - Budget and Actual
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Actual	Budget	Variance	Actual	Budget	Variance
Personnel						
Program personal cost allocation	25,000	25,000	-	29,975	30,020	(45)
Total Personnel	25,000	25,000	-	29,975	30,020	(45)
SSA Management						
Administrative non-personal cost allocation	-		-	-		-
Audit/ Bookkeeping	6,500	6,500	-	6,183	4,200	1,983
Office Rent	2,400	2,400	-	459	200	259
Office utilities	1,000	1,000	-	-	-	-
Office supplies	250	250	-	-	-	-
Office equipment lease / maintenance	250	250	-	-	-	-
Meeting expenses	253	200	53	-	-	-
Banking fees	400	500	(100)	-	300	(300)
Annual Report	-	-	-	-	-	-
Liability / property insurance	2,908	3,000	(92)	658	2,300	(1,642)
Total SSA Management	13,961	14,100	(139)	7,300	7,000	300
Total Expenses	107,404	131,629	(24,225)	116,350	134,049	(17,699)
Excess of Revenue over Expenses	\$ 16,663	\$ (7,146)	\$ 23,809	\$ 17,777	\$ (9,310)	\$ 27,087

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)

Summary Schedule of Findings

For the Year Ended December 31, 2018 and 2017

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	2018	2017
Current Year Levy	\$ 125,556	123,357
Uncollected balance in prior year levies	\$ 132,698	\$ 127,373
Prior year deferred revenue was	\$ 125,467	\$ 125,467

Allowance is approximately 6 % of the receivable in loss collection.

See independent auditor's report on additional information.
