

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)
Financial Statements and
Additional Information
For the Year Ended December 31, 2015

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)

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To the Board of Directors - Commissioners of Special Service Area # 39
Back of the Yards Neighborhood Council, Contractor
Chicago, IL

Independent Auditor's Report

We have audited the accompanying financial statements of **SPECIAL SERVICE AREA NUMBER 39** (a taxing district authorized by the City of Chicago) , which comprise the statement of net position and governmental funds balance sheet of December 31, 2015, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, and statement of 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.

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **SPECIAL SERVICE AREA NUMBER 39** as of December 31, 2015, and the changes in its net asset and its cash flows 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

SPECIAL SERVICE AREA NUMBER 39
 (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)	\$ 146,103	\$ -	\$ 146,103
Receivable from affiliate (Note 3)	310,295	-	310,295
Real estate taxes receivable, less allowance for uncollectible taxes of \$209,000	823,627	-	823,627
Total Assets	<u>\$ 1,280,025</u>	<u>\$ -</u>	<u>\$ 1,280,025</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 10,216	\$ -	\$ 10,216
Notes payable - Line of credit (Note 4)	327,651	-	327,651
Payable to affiliate (Note 3)	55,000	-	55,000
Total Liabilities	392,867	-	392,867
DEFERRED INFLOWS			
Deferred property tax revenue	885,320	(885,320)	-
FUND BALANCE/NET POSITION			
Unassigned	1,838	(1,838)	-
Total Fund Balance	1,838	(1,838)	-
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 1,280,025</u>		
Net Position - Unrestricted		<u>\$ 887,158</u>	<u>\$ 887,158</u>
Total fund balance - governmental funds			\$ 1,838
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			885,320
Total net position			<u>\$ 887,158</u>

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

SPECIAL SERVICE AREA NUMBER 39
 (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	Governmental Funds	Adjustments	Statement of Activities
Property Taxes	\$ 840,970	\$ -	\$ 840,970
Total Revenues	<u>840,970</u>	<u>-</u>	<u>840,970</u>
EXPENDITURES/EXPENSES			
Program Services:			
Customer Attraction	21,842	-	21,842
Public Way Aesthetics	337,579	-	337,579
Sustainability and Public Places	2,947	-	2,947
Economic / Business Development	37,833	-	37,833
Personnel - Operational Program Support	396,533	-	396,533
Administration:			
SSA Management	117,007	-	117,007
Total Expenditures/ Expenses	<u>913,741</u>	<u>-</u>	<u>913,741</u>
Excess of Expenses Over Revenues	(72,771)	72,771	
Change in Net Position		(72,771)	(72,771)
FUND BALANCE/NET POSITION			
Beginning of Year	<u>74,609</u>	<u>885,320</u>	<u>959,929</u>
End of year	<u>\$ 1,838</u>	<u>\$ 885,320</u>	<u>\$ 887,158</u>

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

Net change in fund balance - governmental funds	\$ (72,771)
Property tax revenue is recognized in the year it is available rather than when it is levied for governmental funds	<u>-</u>
Net change in net position - governmental funds	<u>\$ (72,771)</u>

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

SPECIAL SERVICE AREA NUMBER 39

(Back of the Yards Neighborhood Council, Contractor)

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
SUPPORT AND REVENUES			
Real estate taxes - current period	\$ 869,796	\$ 885,320	\$ (15,524)
Real estate taxes - prior period	(12,904)	44,266	(57,170)
Interest and other income	16	-	16
Loss collection	(15,938)	(15,938)	-
Total Support and Revenues	<u>840,970</u>	<u>913,648</u>	<u>(72,678)</u>
EXPENDITURES/EXPENSES			
Program Services:			
Customer Attraction			
Website	3,167	2,500	667
Special events	1,904	25,000	(23,096)
Decorative banners	-	2,500	(2,500)
Holiday decorations	14,242	19,000	(4,758)
Print materials	158	2,500	(2,342)
Display advertising	2,371	15,000	(12,629)
Total Customer Attraction	<u>21,842</u>	<u>66,500</u>	<u>(44,658)</u>
Public Way Aesthetics			
Acid etching removal and/or prevention	28,709	25,000	3,709
Landscaping	25,666	30,000	(4,334)
Façade enhancement program	21,995	30,000	(8,005)
Streetscape elements	241,249	169,266	71,983
Equipment lease	12,084	12,000	84
Fuel, maintenance and repairs	5,636	9,000	(3,364)
Equipment purchase / maintenance	2,240	5,000	(2,760)
Total Public Way Aesthetics	<u>337,579</u>	<u>280,266</u>	<u>57,313</u>
Sustainability and Public Places			
Garbage / recycling material program	<u>2,947</u>	<u>2,000</u>	<u>947</u>
Total Sustainability and Public Places	<u>2,947</u>	<u>2,000</u>	<u>947</u>

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39
 (Back of the Yards Neighborhood Council, Contractor)
 Comparison Schedules of Actual Revenues and Expenses to Budget
 For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Economic / Business Development			
Site marketing	-	5,000	(5,000)
Supplemental transit	11,832	20,000	(8,168)
Strategic planning	6,001	5,000	1,001
Data collection	20,000	20,000	-
Total Economic / Business Development	37,833	50,000	(12,167)
Personnel			
Program personal cost allocation	396,533	396,533	-
Total Personnel	396,533	396,533	-
Administration:			
SSA Management			
Administrative personnel cost allocation	59,399	59,399	-
SSA Annual report	-	4,000	(4,000)
SSA Audit	6,000	6,000	-
Bookkeeping	4,000	4,000	-
Office rent	10,000	10,000	-
Office utilities	4,950	4,950	-
Office supplies	3,282	2,500	782
Office equipment lease / maintenance	4,100	4,100	-
Office printing	3,500	3,500	-
Postage	1,500	1,500	-
Meeting expense	2,620	2,500	120
Banking fees	180	500	(320)
Equipment purchase / maintenance	1,076	3,000	(1,924)
Storage fees	2,400	2,400	-
Liability / property insurance	14,000	14,000	-
Total SSA Management	117,007	122,349	(5,342)
Total Expenses	913,741	917,648	(3,907)
Excess of Expenditures Over Revenues	<u>\$ (72,771)</u>	<u>\$ (4,000)</u>	<u>\$ (68,771)</u>

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39
(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 November 14, 2006 the City Council of the City of Chicago passed an ordinance authorizing the re-establishment of Special Service Area ("SSA") Number 39. The City authorizes a Special Service Area Commission (the Commissioners) to preside over SSA approved annual activities. The annual activities are funded with a tax levy upon taxable properties within a designated area of the Archer/Brighton Park Retail District.

The service programs include but not limited to maintenance and beautification, new construction, coordinated marketing and promotional activities, parking and transit programs, area strategic planning, business retention and recruitments, building facade improvements, security services and other technical assistance activities to promote community and economic development.

Back of the Yards Neighborhood Council, Contractor for Special Service Area # 10 is a 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.

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.

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)
Notes to Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 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.

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 February 23, 2016, the date on which the financial statements were available to be issued.

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

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.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Organization is an affiliate of the Back of the Yards Business Association, Special Service Area Numbers 13, 10, 7 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.

The transactions and balances due (to) from each of the affiliates are summarized below.

	Neighborhood Council	SSA # 10	Total
Balance at December 31, 2014	\$ 264,140	\$ (55,000)	\$ 209,140
Allocated expenses	(523,482)	-	(523,482)
Advances from Line of Credit	46,155		46,155
Cash disbursements	523,482	-	523,482
Balance at December 31, 2015	<u>\$ 310,295</u>	<u>\$ (55,000)</u>	<u>\$ 255,295</u>

NOTE 4 - NOTE PAYABLE

The Organization has available a line of credit with a local bank. The unpaid principal balance under the loan is secured by future tax revenue and bears interest at 8.25% at year end. Interest payments are due monthly. At December 31, 2015, the balance was \$327,651.

Principal and interest were paid by the Back of the Yards Neighborhood Council on the line of credit. On March 29, 2016, the loan was repaid in full as part of a refinancing by Back of the Yards Neighborhood Council, who assumed the debt.

NOTE 6 - 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.

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To the Board of Directors - Commissioners of
Back of the Yards Neighborhood Council, Contractor
Chicago, IL

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

We have audited the financial statements of **SERVICE AREA NUMBER 39** 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

ADDITIONAL INFORMATION

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)
Summary Schedule of Findings
For the Year Ended December 31, 2015

FINDING:

Contractor had a line of credit secured by tax revenues.

CORRECTIVE ACTION:

Line of credit terms were renegotiated on March 29, 2016 to an unsecured note and in the sole name of the Back of the Yards Neighborhood Council.

Certain items of emphasis are provided:

SIGNIFICANT ASSUMPTIONS

Current Year Levy	\$	885,320
Uncollected balance in prior year levies	\$	823,627
Prior year deferred revenue was	\$	885,320

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

See independent auditor's report on additional information.