

**SPECIAL SERVICE AREA NUMBER 10**

(Back of the Yards Neighborhood Council, Contractor)

Financial Statements and  
Supplemental Information

For the Year Ended December 31, 2015

**SPECIAL SERVICE AREA NUMBER 10**  
(Back of the Yards Neighborhood Council, Contractor)

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To the Board of Directors - Commissioners of Special Service Area Number 10  
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 10** (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 opinion for the year ending December 31, 2015.

### **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 10** as of December 31, 2015, and the results of its operations and changes in fund balance for the year ended in accordance 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 10**

(Back of the Yards Neighborhood Council, Contractor)

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2015

<b>ASSETS</b>	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and cash equivalents (Note 2)	\$ -	\$ -	\$ -
Real estate taxes receivable, less allowance for uncollectible taxes of \$73,500	488,019	-	488,019
Receivable from affiliates (Note 4)	<u>156,176</u>	<u>-</u>	<u>156,176</u>
Total Assets	<u>\$ 644,195</u>	<u>\$ -</u>	<u>\$ 644,195</u>
 <b>LIABILITIES</b>			
Accounts payable and bank overdraft	\$ 5,052	\$ -	\$ 5,052
Note payable (Note 5)	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Total Liabilities	135,052	-	135,052
 <b>DEFERRED INFLOWS</b>			
Deferred property tax revenue	424,683	(424,683)	-
 <b>FUND BALANCE/NET POSITION</b>			
Unassigned	<u>84,460</u>	<u>(84,460)</u>	<u>-</u>
Total Fund Balance	<u>84,460</u>	<u>(84,460)</u>	<u>-</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 644,195</u>		
Net Position - Unrestricted		<u>\$ 509,143</u>	<u>\$ 509,143</u>

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

Total fund balance - governmental funds	\$ 84,460
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	424,683
Total Net Position	<u>\$ 509,143</u>

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

**SPECIAL SERVICE AREA NUMBER 10**

(Back of the Yards Neighborhood Council, Contractor)  
 Statement of Net Position and Governmental Funds, Revenues,  
 Expenditures and Changes in Fund Balance  
 For the Year Ended December 31, 2015

<b>REVENUES</b>	Governmental Funds	Adjustments	Statement of Activities
Property Taxes	\$ 418,634	\$ (7,000)	\$ 411,634
Total Revenues	<u>418,634</u>	<u>(7,000)</u>	<u>411,634</u>
<b>EXPENDITURES/EXPENSES</b>			
Program Costs:			
Customer Attraction	74,128	-	74,128
Public Way Aesthetics	17,045	-	17,045
Sustainability and Public Places	18,812	-	18,812
Personnel - Operational Program Support	226,873	-	226,873
			-
Administration:			-
SSA Management	74,641	-	74,641
Total Expenditures/ Expenses	<u>411,499</u>	<u>-</u>	<u>411,499</u>
Excess of Revenues Over Expenditures	7,135	(7,135)	
Change in Net Position		135	135
<b>FUND BALANCE/NET POSITION</b>			
Beginning of Year	77,325	431,683	509,008
End of year	<u>\$ 84,460</u>	<u>\$ 424,683</u>	<u>\$ 509,143</u>

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

Net change in fund balance - governmental funds	\$ 7,135
Property tax revenue is recognized in the year it is available rather than when it is levied for governmental funds	<u>(7,000)</u>
Net change in net position - governmental funds	<u>\$ 135</u>

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

**SPECIAL SERVICE AREA NUMBER 10**  
 (Back of the Yards Neighborhood Council, Contractor)  
 Comparison Schedules of Actual Revenues and Expenses to Budget  
 For the Year Ended December 31, 2015

	Actual	Budget	Variance
<b>REVENUES</b>			
Real estate taxes current period	\$ 416,072	\$ 424,683	\$ (8,611)
Real estate taxes prior period	9,791	7,000	2,791
Interest and other income	7	-	7
Loss collection	(7,236)	(7,236)	-
Total Revenues	418,634	424,447	(5,813)
<b>EXPENDITURES</b>			
<b>Customer Attraction</b>			
Website	1,215	1,500	(285)
Special events	31,918	30,000	1,918
Decorative banners	10,403	14,000	(3,597)
Print materials	877	2,000	(1,123)
Display advertising	4,310	13,000	(8,690)
PR/Media relations	17,000	20,000	(3,000)
Seasonal promotions	8,405	3,000	5,405
Total Customer Attraction	74,128	83,500	(9,372)
<b>Public Way Aesthetics</b>			
Landscaping	785	2,500	(1,715)
Streetscape elements	900	-	900
Power washing	2,000	2,000	-
Maintenance equipment	7,000	7,000	-
Fuel / vehicle maintenance and repairs	5,800	6,000	(200)
Other: Radio lease	560	-	560
Total Public Way Aesthetics	17,045	17,500	(455)
<b>Sustainability and Public Places</b>			
Garbage / recycling material program	2,872	1,500	1,372
Shuttle bus	10,000	10,000	-
Fuel / maintenance and repairs	5,940	10,000	(4,060)
Total Sustainability and Public Places	18,812	21,500	(2,688)

See independent auditor's report and notes to financial statements.

**SPECIAL SERVICE AREA NUMBER 10**

(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>
<b>Personnel</b>			
Program personal cost allocation	226,873	226,873	-
Total Personnel	226,873	226,873	-
<b>SSA Management</b>			
Administrative personnel cost allocation	35,974	35,974	-
Audit/ Bookkeeping	8,000	10,000	(2,000)
Office rent	9,500	9,500	-
Office utilities	2,500	2,500	-
Office supplies	2,000	2,000	-
Office equipment lease / maintenance	3,500	3,500	-
Office printing	2,000	2,000	-
Postage	800	800	-
Meeting expense	677	1,000	(323)
Banking fees	290	400	(110)
Storage fees	2,400	2,400	-
Liability / property insurance	7,000	7,000	-
Total SSA Management	74,641	77,074	(2,433)
Total Expenses	411,499	426,447	(14,948)
Excess of Revenues Over Expenditures	<u>\$ 7,135</u>	<u>\$ (2,000)</u>	<u>\$ 9,135</u>

See independent auditor's report and notes to financial statements.



## **SPECIAL SERVICE AREA NUMBER 10**

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization - The Organization is chartered by the City of Chicago to provide additional services on behalf of the City of Chicago within a defined geographic area specified as the 47th and Ashland Retail District. The service programs include security patrols, street cleaning and beautification, shuttle bus service and other promotional services for the commercial and civic interests in the service area. The Back of the Yards Neighborhood Council is the sole service provider for Special Service Area (SSA #10) the 47th and Ashland Retail District.

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

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.

## SPECIAL SERVICE AREA NUMBER 10

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

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.

## **SPECIAL SERVICE AREA NUMBER 10**

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

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

### **NOTE 3 - FESTIVAL EXPENSES**

A significant portion of the Organization's program to promote the commercial and civic interests of the service area involves coordinating and producing the "El Grito" Street Festival. Expenses incurred include the costs of a carnival midway, performers, other entertainment and security patrols. The financial statements reflect the costs for 2015 of \$31,918, which is included in advertising and promotion expenses.

**SPECIAL SERVICE AREA NUMBER 10**

(Back of the Yards Neighborhood Council, Contractor)

Notes to Financial Statements

December 31, 2015

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**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Organization is an affiliate of the Back of the Yards Business Association, Special Service Area Numbers 7, 13 and 39 and Back of the Yards Neighborhood Council. The Organization contracts with 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 #39	Total
Balance due (to) from at December 31, 2014	\$ 91,647	\$ 55,000	\$ 146,647
Allocated expenses	309,147	-	309,147
Advances / Payments - Line of Credit	9,529	-	9,529
Cash disbursements to affiliates	(309,147)	-	(309,147)
Balance due (to) from at December 31, 2015	<u>\$ 101,176</u>	<u>\$ 55,000</u>	<u>\$ 156,176</u>

**NOTE 5 - NOTE PAYABLE**

The Organization has available a line of credit with a local bank totaling \$205,000. 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 Organization had an outstanding balance of \$130,000.

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 Special Service Area Number 10  
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 10** 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 10**  
(Back of the Yards Neighborhood Council, Contractor)  
Summary Schedule of Findings  
For the Year Ended December 31, 2015

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**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	\$	424,683
Uncollected balance in prior year levies	\$	488,019
Prior year deferred revenue was	\$	424,683

Allowance is approximately 14 % of the receivable in loss collection.

See independent auditor's report on additional information.