

**Northalsted Area Merchants Association
Special Service Area 18
(a taxing district authorized by the City of Chicago)**

**Financial Statements
12/31/2014**

**Northalsted Area Merchants Association
Special Service Area 18**

**Financial Statements
December 31, 2014**

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Independent Auditor's Report

To the Commissioners
Northalsted Area Merchants Association
Special Service Area 18

We have audited the accompanying financial statements of Northalsted Area Merchants Association Special Service Area 18, which comprise the statement of net position and governmental fund balance sheet as of December 31, 2014, and the related statement of activities and governmental fund / revenues, expenditures and changes in fund balance 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 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 audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northalsted Area Merchants Association Special Service Area 18 as of December 31, 2014, and its statement of activities and governmental fund / revenues, expenditures and changes in fund balance, and summary schedule of audit findings for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During 2014, Northalsted Area Merchants Association Special Service Area 18 changed its basis of accounting to follow the standards established by the Government Accounting Standards Board (GASB) applicable to governmental entities. Previously, the SSA was following a basis of accounting similar to a not-for-profit entity under the standards of the Financial Accounting Standards Board (FASB).

Other Matters

Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenditures - budget and actual on page 10, are presented for comparison and analysis purposes only. The supplementary information is not a required part of the basic financial statements. We have not performed any auditing procedures on the budget amounts and therefore, express no opinion on them.

Eilts & Associates, Inc.

EILTS & ASSOCIATES, INC.
Chicago, Illinois
April 8, 2015

**Northalsted Area Merchants Association
Special Service Area 18
Statement of Net Position and
Governmental Fund Balance Sheet
December 31, 2014**

	Governmental fund	Adjustments	Statement of Net position
ASSETS			
Cash and cash equivalents	\$ 110,200	\$ -	\$ 110,200
Property tax receivable, net allowance for uncollectable taxes of \$10,000	487,200	-	487,200
Total Assets	\$ 597,400	\$ -	\$ 597,400
LIABILITIES			
Accounts payable and accrued expenses	\$ 39,069	\$ -	\$ 39,069
Total Liabilities	39,069	-	39,069
DEFERRED INFLOWS			
Deferred property tax revenue	436,210	(436,210)	-
FUND BALANCE / NET POSITION			
Unassigned	122,121	(122,121)	-
Total Fund balance	122,121	(122,121)	-
Total Liabilities, Deferred Infows and Fund Balance	\$ 597,400		
Net Position - Restricted		\$ 558,331	\$ 558,331
Amounts reported for government activities in the statement of net position are different because:			
Total fund balance - governmental funds			\$ 122,121
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.			436,210
Total net position - governmental activities			\$ 558,331

See notes to the financial statements

**Northalsted Area Merchants Association
Special Service Area 18
Statement of Activities and Governmental Fund /
Revenues, Expenditures
and Changes in Fund Balance
December 31, 2014**

	<u>Governmental fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property taxes and interest	\$ 446,813	\$ (7,860)	\$ 438,953
Amount for adjoining Special Service Area	<u>(2,610)</u>	<u>-</u>	<u>(2,610)</u>
Total Revenues	444,203	(7,860)	436,343
EXPENDITURES			
Advertising and promotion	139,680	-	139,680
Public way maintenance	90,578	-	90,578
Public way aesthetics	128,906	-	128,906
Fascade improvements	24,982	-	24,982
Safety programs	1,000	-	1,000
Other technical assistance	1,341	-	1,341
Personnel	57,564	-	57,564
Admin non-personnel	<u>16,001</u>	<u>-</u>	<u>16,001</u>
Total expenditures	<u>460,052</u>	<u>-</u>	<u>460,052</u>
Excess of revenues over expenditures	<u>(15,849)</u>	<u>(7,860)</u>	<u>(23,709)</u>
Change in Net Position	(15,849)	(7,860)	(23,709)
Fund Balance/Net Position			
Beginning of the Year	<u>137,970</u>	<u>444,070</u>	<u>582,040</u>
End of the Year	<u><u>\$ 122,121</u></u>	<u><u>\$ 436,210</u></u>	<u><u>\$ 558,331</u></u>

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

Net change in Fund balance - governmental funds	\$ (15,849)
Property tax is recognized in the year it is levied rather than when it is available for governmental funds	<u>(7,860)</u>
Change in Net Position	<u><u>\$ (23,709)</u></u>

See notes to the financial statements

**Northalsted Area Merchants Association
Special Service Area 18
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**Notes to Financial Statements
For the Year Ended December 31, 2014**

NOTE 1 – Summary of Significant Accounting Policies

a. Nature of Activities and reporting entity

Northalsted Areas Merchants Association Special Service Area 18 is a special taxing district within, and established by, the City of Chicago. It is governed by a Commission whose members are appointed by the City. The Commission has contracted with Northalsted Area Merchants Association to provide additional services within SSA's boundaries. Northalsted Areas Merchants Association is an Illinois non-for-profit corporation that is exempt from federal taxes under Section 501(c)6 of the Internal Revenue Code.

Services provided by the SSA include beautification, cleaning and maintenance of the streets and sidewalks; recruitment of new businesses to the Area and retention of existing ones; coordinated marketing and promotional activities; a façade and signage improvement program and maintaining a visible office with staff support to carry out promotional, educational and market research functions.

b. Governmental-Wide and Fund Financial Statements

The financial statements of the SSA have been prepared in conformity with accounting principles generally accepted in 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).

Governmental-wide financial statements (statement 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

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**Notes to Financial Statements
For the Year Ended December 31, 2014**

governmental funds current financial resources measurement focus, are prepared on the modified accrual basis.

Governmental-Wide financial statements (statement 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.

c. 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, 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 as 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 statements in conformity with generally accepted accounting principles 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

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**Notes to Financial Statements
For the Year Ended December 31, 2014**

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.

d. Assets, Liabilities, and Net Position

Cash and cash equivalents

The SSA's cash and cash equivalents are considered to be 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.

Receivables

All property tax receivables are shown net of allowances. As of December 31, 2014, the allowance is estimated to be 2% of the outstanding property taxes.

Fund Equity / Net Position

Governmental 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 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 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 balance first, then unrestricted fund balance. Furthermore, committed fund balance is reduced first,

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**Notes to Financial Statements
For the Year Ended December 31, 2014**

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.

e. Subsequent Events

Subsequent events have been evaluated through April 8, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – Cash and cash equivalents

The SSA defines cash and cash equivalents 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 SSA maintains its cash balance in a financial institution located in Chicago, IL. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. The SSA's cash balance did not exceed the insurance level as of December 31, 2014.

NOTE 3 – Property taxes

The SSA's principal source of revenue is from real estate taxes levied on certain property located in its boundaries. 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 March. The second installment is due in August or 30 days from the

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**Notes to Financial Statements
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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.

NOTE 4 – Fund Equity / Net Position

During 2014, Northalsted Area Merchants Association Special Service Area 18 changed its basis of accounting to follow the standards established by the Government Accounting Standards Board (GASB) applicable to governmental entities. Previously, the SSA was following a basis of accounting similar to a not-for-profit entity under the standards of the Financial Accounting Standards Board (FASB).

As a result of this change in basis of accounting, the opening fund balance of \$100,689, has been increased by the amount of property taxes received within the first 60 days of 2014 of \$37,281, resulting in the adjusted opening fund balance of \$137,970.

The SSA is required to present information regarding its financial position and activities according to the Agreement for Northalsted Area Merchants Association Special Service Area 18 between the City of Chicago and Northalsted Area Merchants Association. As of December 31, 2014, the SSA had unassigned fund balance of \$122,121. These funds will be utilized in this special service area during future years. . If the SSA would have continued to follow the basis of accounting by the standards under FASB, the ending carry over amount / fund balance / net assets would have been \$71,131.

NOTE 5 – Related Party Transactions

The SSA is affiliated with Northalsted Area Merchants Association which acts as its sole service provider. Special Service Area 18 shares office space, equipment, and employees through this affiliation. Special Service Area 18 has no employees of their own, but reimburses Northalsted Area

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**Notes to Financial Statements
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Merchants Association for payroll and related costs of the individuals working on the programs. It also reimburses Northalsted Area Merchants Association for a portion of its operating expenses, and allocation of rent and utilities.

NOTE 6 – Accounts Payable

Accounts payable balance at December 31, 2014 is \$39,069. This balance consists of expenses incurred during the respective year related to reimbursement to Northalsted Area Merchant Association for personnel and administrative non-personnel, and to other vendors for landscaping and bookkeeping fees.

Supplementary Information

**Northalsted Area Merchants Association
Special Service Area 18
Schedule of Revenues and
Expenditures - Budget and Actual
December 31, 2014**

	Budget	Actual	Variance
REVENUE			
Property revenues - current year	\$ 445,368	\$ 446,802	\$ 1,434
SSA interest income	-	11	11
Amount for adjoining Special Service Area	-	(2,610)	(2,610)
Less: Loss Collection	(23,100)	-	23,100
Total revenues	422,268	444,203	21,935
EXPENDITURES			
Advertising and promotion	140,870	139,680	1,190
Public way maintenance	95,316	90,579	4,737
Public way aesthetics	149,820	128,906	20,914
Fascade improvements	22,482	24,982	(2,500)
Safety	6,500	1,000	5,500
Other technical assistance	1,000	1,340	(340)
Personnel	60,500	57,564	2,936
Admin non-personnel	15,780	16,001	(221)
Total expenditures	492,268	460,052	32,216
Excess of revenues over expenditures	\$ (70,000)	\$ (15,849)	\$ 54,151
CARRYOVER	70,000	137,970	67,970
Net revenues in excess of expenses	\$ -	\$ 122,121	\$ 122,121

See notes to the financial statements

**Northalsted Area Merchants Association
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**Summary Schedule of Findings
For the Year Ended December 31, 2014**

As part of our audit and request by the Special Service Area Annual Audited Financial and Accounting Guide prepared by the City of Chicago Department of Housing and Economic Development, we have read and understand the requirements contained in the Service Provider Agreement. After conducting the audit, we determined that no exceptions were noted

The auditor's report expresses an unqualified opinion on the financial statements of Northalsted Area Merchants Association Special Service Area 18. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

Findings – Financial Statement Audit

None found

Findings and Questioned Costs

None found