

**Northcenter Chamber of Commerce
Special Service Area 38
(a taxing district authorized by the City of Chicago)**

**Financial Statements
December 31, 2016 and 2015**

**Northcenter Chamber of Commerce
Special Service Area 38
Financial Statements
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Independent Auditor's Report

To the Commissioners of
Northcenter Chamber of Commerce
Special Service Area 38

We have audited the accompanying financial statements of Northcenter Chamber of Commerce Special Service Area 38, which comprise the statements of net position and governmental fund balance sheets as of December 31, 2016 and 2015, 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 positions of Northcenter Chamber of Commerce Special Service Area 38 as of December 31, 2016 and 2015, 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.

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 11 and 12, 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 25, 2017

**Northcenter Chamber of Commerce
Special Service Area 38
Statements of Net Position and
Governmental Fund Balance Sheets
December 31, 2016 and 2015**

	2016			2015		
	Governmental fund	Adjustments	Statement of Net position	Governmental fund	Adjustments	Statement of Net position
ASSETS						
Cash and cash equivalents	\$ 99,457	\$ -	\$ 99,457	\$ 65,041	\$ -	\$ 65,041
Property tax receivable, net allowance for uncollectable of \$5,000 & \$5,000	250,893	-	250,893	260,890	-	260,890
TIF rebate receivable	-	-	-	1,784	-	1,784
Total Assets	<u>\$ 350,350</u>	<u>\$ -</u>	<u>\$ 350,350</u>	<u>\$ 327,715</u>	<u>\$ -</u>	<u>\$ 327,715</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 13,398	\$ -	\$ 13,398	\$ 14,074	\$ -	\$ 14,074
Due to City of Chicago	1,184	-	1,184	-	-	-
Total Liabilities	14,582	-	14,582	14,074	-	14,074
DEFERRED INFLOWS						
Deferred property tax revenue	220,736	(220,736)	-	228,192	(228,192)	-
Total Deferred Inflows	220,736	(220,736)	-	228,192	(228,192)	-
FUND BALANCE / NET POSITION						
Unassigned	115,032	(115,032)	-	85,449	(85,449)	-
Total Fund balance	115,032	(115,032)	-	85,449	(85,449)	-
Total Liabilities, Deferred Infows and Fund Balance	<u>\$ 350,350</u>			<u>\$ 327,715</u>		
Net Position - Restricted		<u>\$ (335,768)</u>	<u>\$ 335,768</u>		<u>\$ (313,641)</u>	<u>\$ 313,641</u>

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

Total fund balance - governmental funds	\$ 115,032	\$ 85,449
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 government funds.	220,736	228,192
	<u>\$ 335,768</u>	<u>\$ 313,641</u>

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

**Northcenter Chamber of Commerce
Special Service Area 38
Statements of Activities and Governmental Fund /
Revenues, Expenditures
and Changes in Fund Balances
December 31, 2016 and 2015**

	2016			2015		
	Governmental fund	Adjustments	Statement of Activities	Governmental fund	Adjustments	Statement of Activities
REVENUES						
Property taxes and interest	\$ 246,950	\$ (7,456)	\$ 239,494	\$ 252,454	\$ (5,947)	\$ 246,507
TIF rebates	3,090	-	3,090	1,784	-	1,784
Investment interest	37	-	37	229	-	229
Total Revenues	250,077	(7,456)	242,621	254,467	(5,947)	248,520
EXPENDITURES						
Customer attraction	11,820	-	11,820	8,250	-	8,250
Public way maintenance	135,456	-	135,456	-	-	-
Public way aesthetics	-	-	-	139,051	-	139,051
Economic/business development	8,500	-	8,500	8,500	-	8,500
SSA management	13,518	-	13,518	24,274	-	24,274
Personnel	51,200	-	51,200	44,000	-	44,000
Total expenditures	220,494	-	220,494	224,075	-	224,075
Excess of revenues over expenditures	29,583	(7,456)	22,127	30,392	(5,947)	24,445
Change in Net Position	29,583	(7,456)	22,127	30,392	(5,947)	24,445
Fund Balance/Net Position						
Beginning of the Year	85,449	228,192	313,641	55,057	234,139	289,196
End of the Year	<u>\$ 115,032</u>	<u>\$ 220,736</u>	<u>\$ 335,768</u>	<u>\$ 85,449</u>	<u>\$ 228,192</u>	<u>\$ 313,641</u>

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

Net change in Fund balance - governmental funds		\$ 29,583		\$ 30,392
Property tax is recognized in the year it is levied rather than when it is available for governmental funds		(7,456)		(5,947)
Change in Net Position		<u>\$ 22,127</u>		<u>\$ 24,445</u>

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

**Northcenter Chamber of Commerce
Special Service Area 38
(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015**

NOTE 1 – Summary of Significant Accounting Policies

a. Nature of Activities and reporting entity

Northcenter Chamber of Commerce Special Service Area 38 was created by the City of Chicago to provide additional services to the Northcenter community. The primary source of funds is from real estate taxes on certain property in the Special Service Area. Northcenter Chamber of Commerce Special Service Area (SSA) 38 generates revenue for the sole purpose of improving and enhancing the business districts of the Northcenter, which are generally properties fronting Irving Park Road from Ravenswood to Western, Lincoln Avenue from Montrose to Addison, and Western from Montrose to Belmont.

Northcenter Chamber of Commerce Special Service Area 38 is governed by a Commission whose members are appointed by the City. The Commission has contracted with Northcenter Chamber of Commerce to provide additional services within SSA's boundaries. Northcenter Chamber of Commerce 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 cleaning and beautification activities, coordination of advertising and promotional events, attraction and recruitment of new quality businesses to the area, and technical assistance to existing and potential businesses.

Northcenter Chamber of Commerce Special Service Area 38 completed the reconstitution process and renewed its contract with the City of Chicago as of January 1, 2015.

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

**Northcenter Chamber of Commerce
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Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015**

NOTE 1 – Summary of Significant Accounting Policies – (Continued)

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 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 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.

**Northcenter Chamber of Commerce
Special Service Area 38
(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015**

NOTE 1 – Summary of Significant Accounting Policies – (Continued)

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 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, 2016 and 2015, 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.

**Northcenter Chamber of Commerce
Special Service Area 38
(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015**

NOTE 1 – Summary of Significant Accounting Policies – (Continued)

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, 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 25, 2017, 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, 2016 and 2015.

**Northcenter Chamber of Commerce
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(a taxing district authorized by the City of Chicago)
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015**

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 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 – Deferred Inflows of Revenue

A deferred inflow of resources / property tax revenue represents an acquisition of fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

NOTE 5 – Fund Equity / Net Position

The SSA is required to present information regarding its financial position and activities according to the Agreement for Northcenter Chamber of Commerce Special Service Area 38 between the City of Chicago and Northcenter Chamber of Commerce. As of December 31, 2016 and 2015, the SSA had total fund balance of \$115,032 and \$85,449, respectively. Included in the total fund balance is property tax receipts received within the first 60 days of 2017 and 2016 of \$30,157 and \$32,698, respectively. 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 \$84,875 and \$52,751 at December 31, 2016 and 2015, respectively.

**Northcenter Chamber of Commerce
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Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015**

NOTE 6 – Related Party Transactions

The SSA is affiliated with Northcenter Chamber of Commerce which acts as its sole service provider. Special service area 38 shares office space, equipment, and employees through this affiliation. Special Service Area 38 has no employees of their own, but reimburses Northcenter Chamber of Commerce for payroll and related costs of the individuals working on the programs. It also reimburses Northcenter Chamber of Commerce for a portion of its operating expenses, and allocation of rent and utilities.

NOTE 7 – Accounts Payable and accrued expenses

Accounts payable balance at December 31, 2016 and 2015, is \$13,398 and \$14,074, respectively. This balance consists of expenses incurred during the respective year related to district planning / reconstitution and snowplowing.

NOTE 8 – Due to City of Chicago

Amounts due to City of Chicago \$1,184, represent property tax refunds determined/reported but not yet refunded as of December 31, 2016.

Supplementary Information

**Northcenter Chamber of Commerce
Special Service Area 38
Schedule of Revenues and
Expenditures - Budget and Actual
December 31, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Property revenues and interest	\$ 255,890	\$ 246,950	\$ 8,940
TIF rebates	4,874	3,090	1,784
Late collections and interest thereon	12,794	-	12,794
Interest income	-	37	(37)
Less: loss collection	<u>(11,605)</u>	<u>-</u>	<u>(11,605)</u>
 Total revenues	 261,953	 250,077	 11,876
EXPENDITURES			
Customer attraction	16,750	11,820	4,930
Public way aesthetics	184,836	135,456	49,380
Sustainability and public places	4,874	-	4,874
Economic/business development	34,750	8,500	26,250
SSA management	24,600	13,518	11,082
Personnel	<u>51,200</u>	<u>51,200</u>	<u>-</u>
 Total expenditures	 <u>317,010</u>	 <u>220,494</u>	 <u>96,516</u>
 Excess of revenues over expenditures	 <u>\$ (55,057)</u>	 <u>\$ 29,583</u>	 <u>(84,640)</u>
 CARRYOVER	 <u>55,057</u>	 <u>-</u>	 <u>55,057</u>
 Net revenues in excess of expenses	 <u>\$ -</u>	 <u>\$ 29,583</u>	 <u>\$ (29,583)</u>

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

**Northcenter Chamber of Commerce
Special Service Area 38
Schedule of Revenues and
Expenditures - Budget and Actual
December 31, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Property revenues and interest	\$ 255,890	\$ 252,454	\$ 3,436
TIF rebates	-	1,784	(1,784)
Interest income	-	229	(229)
Less: loss collection	<u>(11,605)</u>	<u>-</u>	<u>(11,605)</u>
 Total revenues	 244,285	 254,467	 (10,182)
EXPENDITURES			
Customer attraction	1,500	8,250	(6,750)
Public way aesthetics	179,685	139,051	40,634
Economic/business development	24,500	8,500	16,000
SSA management	24,600	24,274	326
Personnel	<u>44,000</u>	<u>44,000</u>	<u>-</u>
 Total expenditures	 <u>274,285</u>	 <u>224,075</u>	 <u>50,210</u>
Excess of revenues over expenditures	<u>\$ (30,000)</u>	<u>\$ 30,392</u>	<u>(60,392)</u>
 CARRYOVER	 <u>30,000</u>	 <u>-</u>	 <u>30,000</u>
 Net revenues in excess of expenses	 <u>\$ -</u>	 <u>\$ 30,392</u>	 <u>\$ (30,392)</u>

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

**Northcenter Chamber of Commerce
Special Service Area 38
(a taxing district authorized by the City of Chicago)
Summary Schedule of Findings
For the Year Ended December 31, 2016**

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 Planning and Development, we have read and understand the requirements contained in the Agreement for Northcenter Special Service Area 38, between the City of Chicago and Northcenter Chamber of Commerce. The auditor's report expresses an unmodified opinion on the financial statements of Northcenter Chamber of Commerce Special Service Area 38 for the year ended December 31, 2016. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

FINDINGS:

After conducting this audit, we determined there were two findings as follows:

- Fund Balance / Carryover funds to 2017, were in excess of 25% of the 2016 budget.
- SSA Commissioner is an authorized check signer on the SSA bank account.

CORRECTIVE ACTION PLAN:

- Northcenter Chamber of Commerce Special Service Area 38 acknowledged that the carryover funds from 2016 did exceed 25% of their 2016 budget. The SSA identified that these excess carryover funds were carried over specifically for the redesign of the Northcenter Town Square and large scale streetscape improvements, both are multiple year projects. Going forward Northcenter Chamber of Commerce Special Service Area 38 plans to implement regular monitoring of their spending throughout the year, and timely revise their budget if deemed necessary.
- In response to a SSA Commissioner being an authorized check signer on the SSA bank account: Northcenter Chamber of Commerce Special Service Area 38 and Northcenter Chamber of Commerce are currently rectifying that finding, by removing the SSA Commissioner as a check signer and adding a Northcenter Chamber of Commerce Board Officer as a check signer.