

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)
Financial Statements and
Supplementary Information
For the Years Ended December 31, 2018 and 2017

**SPECIAL SERVICE AREA NUMBER 39
(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 Special Service Area # 39
Back of the Yards Neighborhood Council, Contractor
Chicago, IL

Report on Financial Statements

We have audited the accompanying statement of financial position 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 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 **SPECIAL SERVICE AREA NUMBER 39** 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 pages 8-10, 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 **SPECIAL SERVICE AREA NUMBER 39**. 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 24, 2019
Chicago, Illinois

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)
Statements of Net Position and Governmental Funds Balance Sheets
December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
Cash	\$ 360,232	\$ -	\$ 360,232	\$ 345,775	\$ -	\$ 345,775
Real estate taxes receivable, less allowance for uncollectible taxes of \$65,000 and \$100,000	920,715	-	920,715	914,396	-	914,396
Total Assets	<u>\$ 1,280,947</u>	<u>\$ -</u>	<u>\$ 1,280,947</u>	<u>\$ 1,260,171</u>	<u>\$ -</u>	<u>\$ 1,260,171</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 8,024	\$ -	\$ 8,024	\$ 11,427	\$ -	\$ 11,427
Total Liabilities	8,024	-	8,024	11,427	-	11,427
DEFERRED INFLOWS						
Deferred property tax revenue	895,187	(895,187)	-	885,320	(885,320)	-
FUND BALANCE/NET POSITION						
Unassigned	377,736	(377,736)	-	363,424	(363,424)	-
Total Fund Balance	<u>377,736</u>	<u>(377,736)</u>	<u>-</u>	<u>363,424</u>	<u>(363,424)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 1,280,947</u>			<u>\$ 1,260,171</u>		
Net Position - Unrestricted		<u>\$ 1,272,923</u>	<u>\$ 1,272,923</u>		<u>\$ 1,248,744</u>	<u>\$ 1,248,744</u>

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

Total fund balance - governmental funds	\$ 377,736	\$ 363,424
Property tax revenue is recognized in the period it is levied rather than when "available"	895,187	885,320
A portion of the property tax is deferred as it is not available in the governmental funds.		
Total net position - governmental activities	<u>\$ 1,272,923</u>	<u>\$ 1,248,744</u>

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

SPECIAL SERVICE AREA NUMBER 39
(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	\$ 854,094	\$ 9,867	\$ 844,227	\$ 1,015,158	\$ -	\$ 1,015,158
Total Revenues	854,094	9,867	844,227	1,015,158	-	1,015,158
EXPENDITURES/EXPENSES						
Program Services:						
Customer Attraction	61,647	-	61,647	34,098	-	34,098
Public Way Aesthetics	449,513	-	449,513	195,745	-	195,745
Sustainability and Public Places	4,109	-	4,109	3,101	-	3,101
Economic / Business Development	79,978	-	79,978	44,993	-	44,993
Safety Programs	2,860	-	2,860	-	-	-
Personnel - Operational Program Support	-	-	-	413,896	-	413,896
Administration:						
SSA Management	241,675	-	241,675	49,436	-	49,436
Total Expenditures/ Expenses	839,782	-	839,782	741,269	-	741,269
Excess of Revenues Over Expenses	14,312	(14,312)		273,889	(273,889)	
Change in Net Position		24,179	24,179		273,889	273,889
FUND BALANCE/NET POSITION						
Beginning of Year	363,424	885,320	1,248,744	89,535	885,320	974,855
End of year	\$ 377,736	\$ 895,187	\$ 1,272,923	\$ 363,424	\$ 885,320	\$ 1,248,744

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

Net change in fund balance - governmental funds	\$ 14,312	\$ 273,889
Property tax revenue is recognized in the year it is available rather than when it is levied for governmental funds	9,867	-
Net change in net position - governmental funds	<u>\$ 24,179</u>	<u>\$ 273,889</u>

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

SPECIAL SERVICE AREA NUMBER 39
(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") # 39 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 Archer/Brighton Retail 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 # 39 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.

SPECIAL SERVICE AREA NUMBER 39
(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 39" 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 24, 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.

SPECIAL SERVICE AREA NUMBER 39
(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, 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.

Expense reimbursements to the Service Provider are summarized below:

	<u>2018</u>	<u>2017</u>
Equipment lease	\$ -	\$ 4,583
Equipment maintenance	-	417
Shuttle Bus	5,000	5,654
Bookkeeping	3,000	2,500
Rent	15,000	11,000
Office utilities	7,000	2,000
Office supplies	1,500	1,589
Office equipment	2,500	2,000
Office printing	1,500	1,500
Postage	1,500	1,500
Bank fees	300	-
Storage fees	1,417	1,417
Liability and property insurance	17,000	15,584
Personnel	433,756	413,897
Totals	<u>\$ 489,473</u>	<u>\$ 463,641</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

SPECIAL SERVICE AREA NUMBER 39

(Back of the Yards Neighborhood Council, Contractor)

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Actual	Budget	Variance	Actual	Budget	Variance
REVENUES						
Real estate taxes - current period	\$ 873,084	\$ 895,187	\$ (22,103)	\$ 891,887	\$ 916,820	\$ (24,933)
Real estate taxes - prior period	(19,135)	-	(19,135)	154,727	9,000	145,727
Real estate taxes - carryover	-	246,052	(246,052)	-	100,000	(100,000)
Interest and other income	145	-	145	44	-	44
Loss collection	-	-	-	(31,500)	(31,500)	-
Total Support and Revenues	854,094	1,141,239	(287,145)	1,015,158	994,320	20,838
EXPENDITURES/EXPENSES						
Program Services:						
Customer Attraction						
Website	3,859	2,761	1,098	1,239	2,000	(761)
Special events	-	12,153	(12,153)	-	10,000	(10,000)
Decorative banners	2,279	5,000	(2,721)	10,237	9,000	1,237
Holiday decorations	4,900	15,000	(10,100)	18,910	15,000	3,910
Print materials	43,920	4,110	39,810	390	2,000	(1,610)
Display advertising	6,649	4,378	2,271	3,122	5,000	(1,878)
Miscellaneous	40	-	40	200	-	200
Total Customer Attraction	61,647	43,402	18,245	34,098	43,000	(8,902)
Public Way Aesthetics						
Acid etching removal and/or prevention	69,975	81,885	(11,910)	50,615	65,000	(14,385)
Landscaping	39,700	53,733	(14,033)	41,267	50,000	(8,733)
Façade enhancement program	55,922	209,519	(153,597)	53,869	163,388	(109,519)
Streetscape elements	72,830	157,968	(85,138)	34,483	150,000	(115,517)

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 Years Ended December 31, 2018 and 2017

	2018			2017		
	Actual	Budget	Variance	Actual	Budget	Variance
Public Way Aesthetics -continued						
City permits	-	2,867	(2,867)	50	5,000	(4,950)
Maintenance on staff personnel	204,394	206,525	(2,131)	-	199,778	(199,778)
Equipment lease	-	-	-	4,583	-	4,583
Fuel, maintenance and repairs	4,847	5,380	(533)	9,758	9,000	758
Supplies	1,845	2,000	(155)	1,120	1,500	(380)
Total Public Way Aesthetics	449,513	719,877	(270,364)	195,745	643,666	(447,921)
Sustainability and Public Places						
Garbage / recycling material program	4,109	3,000	1,109	3,101	3,000	101
Total Sustainability and Public Places	4,109	3,000	1,109	3,101	3,000	101
Economic / Business Development						
Supplemental transit	12,115	10,000	2,115	7,054	10,000	(2,946)
Shuttle service personnel	45,614	45,614	-	-	-	-
Strategic planning	765	2,500	(1,735)	7,109	4,000	3,109
Economic market study	1,484	-	1,484	3,663	-	3,663
Commissioner development	-	-	-	5,500	-	5,500
Data collection	20,000	25,000	(5,000)	21,667	20,000	1,667
Total Economic / Business Development	79,978	83,114	(3,136)	44,993	34,000	10,993
Personnel						
Program personal cost allocation	-	-	-	413,896	416,482	(2,586)
Total Personnel	-	-	-	413,896	416,482	(2,586)
Safety Programs						
Public way surveillance	2,860	40,000	(37,140)	-	-	-
Total Personnel	2,860	40,000	(37,140)	-	-	-

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 Years Ended December 31, 2018 and 2017

	2018			2017		
	Actual	Budget	Variance	Actual	Budget	Variance
Administration:						
SSA Management						
Administrative personnel cost allocation	183,749	193,446	(9,697)	-	-	-
SSA Annual report	-	-	-	-	2,000	(2,000)
SSA Audit	4,500	6,500	(2,000)	6,750	6,500	250
Bookkeeping	3,000	3,000	-	2,500	2,500	-
Office rent	15,000	15,000	-	11,000	11,000	-
Office utilities	7,000	5,000	2,000	2,000	2,000	-
Office supplies	1,500	1,500	-	1,589	1,500	89
Office equipment lease / maintenance	2,500	2,500	-	2,000	2,000	-
Office printing	1,500	1,500	-	1,500	1,500	-
Postage	1,500	1,500	-	1,500	1,500	-
Meeting expense	926	1,750	(824)	1,328	1,750	(422)
Subscription dues	-	100	(100)	100	-	100
Banking fees	300	300	-	-	300	(300)
Equipment purchase / maintenance	1,000	1,000	-	369	2,000	(1,631)
Storage fees	2,200	2,400	(200)	3,217	2,400	817
Liability / property insurance	17,000	17,000	-	15,583	17,000	(1,417)
Total SSA Management	241,675	252,496	(10,821)	49,436	53,950	(4,514)
Total Expenses	839,782	1,141,889	(302,107)	741,269	1,194,098	(452,829)
Excess (Expenses) Revenues Over Expenditures	<u>\$ 14,312</u>	<u>\$ (650)</u>	<u>\$ 14,962</u>	<u>\$ 273,889</u>	<u>\$ (199,778)</u>	<u>\$ 473,667</u>

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

SPECIAL SERVICE AREA NUMBER 39
(Back of the Yards Neighborhood Council, Contractor)
Summary Schedule of Findings
For the Years Ended December 31, 2018 and 2017

We have read the requirements of the Service Provider Agreement between Special Service Area #39, 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	<u>2018</u>	<u>2017</u>
Current Year Levy	\$ 895,187	\$ 916,820
Uncollected balance in prior year levies	\$ 920,715	\$ 914,396
Prior year deferred revenue was	\$ 895,187	\$ 885,320

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

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