

**SPECIAL SERVICE AREA NUMBER 10**

(Back of the Yards Neighborhood Council, Contractor)

Financial Statements and

Supplemental Information

For the Year Ended December 31, 2016

**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, 2016 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, 2016.

### **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, 2016, 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.

### **Emphasis of Matter**

As discussed in Note 6 of the financial statements, the Organization in conjunction with communications with the City of Chicago transferred the credit facility to the service provider Back of the Yards Neighborhood Council. Our opinion is not modified in regards to this matter.

*Cary J. Hall & Associates, LLC*

April 28, 2017  
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, 2016

<b>ASSETS</b>	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and cash equivalents (Note 2)	\$ 10,257	\$ -	\$ 10,257
Real estate taxes receivable, less allowance for uncollectible taxes of \$78,967	513,195	-	513,195
	<u>513,195</u>	<u>-</u>	<u>513,195</u>
Total Assets	<u>\$ 523,452</u>	<u>\$ -</u>	<u>\$ 523,452</u>
 <b>LIABILITIES</b>			
Accounts payable and bank overdraft	\$ 1,348	\$ -	\$ 1,348
	<u>1,348</u>	<u>-</u>	<u>1,348</u>
Total Liabilities	1,348	-	1,348
 <b>DEFERRED INFLOWS</b>			
Deferred property tax revenue	424,683	(424,683)	-
 <b>FUND BALANCE/NET POSITION</b>			
Unassigned	<u>97,421</u>	<u>(97,421)</u>	<u>-</u>
Total Fund Balance	<u>97,421</u>	<u>(97,421)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 523,452</u>		
Net Position - Unrestricted		<u>\$ 522,104</u>	<u>\$ 522,104</u>

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

Total fund balance - governmental funds	\$ 97,421
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>\$ 522,104</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, 2016

<b>REVENUES</b>	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Property Taxes	\$ 427,716	\$ -	\$ 427,716
Total Revenues	<u>427,716</u>	<u>-</u>	<u>427,716</u>
<b>EXPENDITURES/EXPENSES</b>			
Program Costs:			
Customer Attraction	70,266	-	70,266
Public Way Aesthetics	13,429	-	13,429
Sustainability and Public Places	3,646	-	3,646
Economic/Business Development	17,762	-	17,762
Personnel - Operational Program Support	228,050	-	228,050
Administration:			
SSA Management	81,602	-	81,602
Total Expenditures/ Expenses	<u>414,755</u>	<u>-</u>	<u>414,755</u>
Excess of Revenues Over Expenditures	12,961	(12,961)	
Change in Net Position		12,961	12,961
<b>FUND BALANCE/NET POSITION</b>			
Beginning of Year	84,460	424,683	509,143
End of year	<u>\$ 97,421</u>	<u>\$ 424,683</u>	<u>\$ 522,104</u>

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

Net change in fund balance - governmental funds	\$ 12,961
Property tax revenue is recognized in the year it is available rather than when it is levied for governmental funds	-
Net change in net position - governmental funds	<u>\$ 12,961</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, 2016

	Actual	Budget	Variance
<b>REVENUES</b>			
Real estate taxes current period	\$ 430,070	\$ 424,683	\$ 5,387
Real estate taxes prior period	2,666	13,851	(11,185)
Real estate taxes carryover	-	2,000	(2,000)
TIF Rebate	8,493	8,494	(1)
Interest and other income	7	-	7
Loss collection	(13,520)	(13,520)	-
Total Revenues	<u>427,716</u>	<u>435,508</u>	<u>(7,792)</u>
<b>EXPENDITURES</b>			
<b>Customer Attraction</b>			
Website	419	1,500	(1,081)
Special events	36,395	28,851	7,544
Decorative banners	8,375	5,000	3,375
Print materials	3,122	2,000	1,122
Display advertising	5,375	6,480	(1,105)
PR/Media relations	14,824	25,000	(10,176)
Seasonal promotions	1,756	3,000	(1,244)
Total Customer Attraction	<u>70,266</u>	<u>71,831</u>	<u>(1,565)</u>
<b>Public Way Aesthetics</b>			
Landscaping	-	5,000	(5,000)
Sidewalk maintenance	2,000	9,871	(7,871)
Equipment lease	7,000	7,000	-
Equipment fuel maintenance repairs	3,508	7,000	(3,492)
Supplies	921	3,512	(2,591)
Total Public Way Aesthetics	<u>13,429</u>	<u>32,383</u>	<u>(18,954)</u>
<b>Sustainability and Public Places</b>			
Garbage / recycling material program	<u>3,646</u>	<u>1,500</u>	<u>2,146</u>
Total Sustainability and Public Places	<u>3,646</u>	<u>1,500</u>	<u>2,146</u>

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, 2016

	Actual	Budget	Variance
<b>Economic/Business Development</b>			
Supplemental transit	17,762	19,156	(1,394)
Total Sustainability and Public Places	17,762	19,156	(1,394)
Program personal cost allocation	228,050	228,050	-
Total Personnel	228,050	228,050	-
<b>SSA Management</b>			
Administrative personnel cost allocation	53,521	53,521	-
Audit/ Bookkeeping	8,100	6,100	2,000
Office rent	5,760	5,760	-
Office utilities	640	640	-
Office supplies	1,025	960	65
Office equipment lease / maintenance	1,600	1,600	-
Office printing	800	800	-
Postage	719	784	(65)
Meeting expense	456	1,000	(544)
Subscriptions	37	-	37
Banking fees	121	500	(379)
Equipment purchase and maintenance	-	1,900	(1,900)
Storage fees	2,200	2,400	(200)
Liability / property insurance	6,623	6,623	-
Total SSA Management	81,602	82,588	(986)
Total Expenses	414,755	435,508	(20,753)
Excess of Revenues Over Expenditures	\$ 12,961	\$ -	\$ 12,961

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, 2016

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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, 2016

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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, 2016

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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 April 24, 2017, 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 2016 of \$36,395, 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, 2016

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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, 2015	\$ 101,176	\$ 55,000	\$ 156,176
Allocated expenses	352,328	-	352,328
Repayment of Line of Credit and miscellaneous advance	(131,000)	-	(131,000)
Cash disbursements to affiliates	(352,328)		(352,328)
Adjust balance to credit facility (See Note 5)	29,824	(55,000)	(25,176)
Balance due (to) from at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 - 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.

**NOTE 6 - EMPHASIS OF MATTER**

In conjunction with communication with the City of Chicago, the Organization has transferred the credit facility to the service provider Back of the Yards Neighborhood Council. The balances transferred to the Back of the Yards Neighborhood Council represented a note receivable of \$55,000 and note payable of \$29,824.

**Cary J. Hall & Associates, LLC**  
**Certified Public Accountants & Consultants**  
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**Phone: (708)771-2722 Fax: (708)771-1717**

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, 2016, and have issued our report thereon dated April 24, 2017 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*

April 24, 2017  
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, 2016

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We have read the requirements of the Service Provider Agreement between Special Service Area # 10, 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**

Current Year Levy	\$	424,683
Uncollected balance in prior year levies	\$	513,195
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.