

**SPECIAL SERVICE AREA #18 FUND**

**Financial Statements**

**Years Ended December 31, 2013 and 2012**

# SPECIAL SERVICE AREA #18 FUND

## FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

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# H. Gregory Mermel

**CERTIFIED PUBLIC ACCOUNTANT**

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## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
Special Service Area # 18

We have audited the accompanying statements of financial position of Special Service Area #18 as of December 31, 2013 and 2012 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of Special Service Area #18. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #18 as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The budget comparisons on page 4 and the schedule of carryover expenditures on page 8 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



H. GREGORY MERMEL, C.P.A., P.C.

June 6, 2014

H. Gregory Mermel, C.P.A., P.C.

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## SPECIAL SERVICE AREA #18

### STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash in bank	\$ 105,340	\$ 229,109
Prepaid expenses	0	2,550
Due from service provider	<u>599</u>	<u>599</u>
Total assets	<u>\$ 105,939</u>	<u>\$ 232,258</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 5,250	\$ 31,533
<u>NET ASSETS</u>		
Unrestricted net assets (Note 4)	<u>100,689</u>	<u>200,725</u>
Total Liabilities and Net Assets	<u>\$ 105,939</u>	<u>\$ 232,258</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## SPECIAL SERVICE AREA #18

### STATEMENTS OF ACTIVITIES AND COMPARISON TO BUDGETS YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Budget (unaudited)	Actual	Variance	Budget (unaudited)	Actual	Variance
<b>REVENUE</b>						
Special Service Area #18 tax funds						
Requested levy	\$ 343,505			\$ 382,900		
Allowance for loss and cost	23,100			25,000		
Balance	320,405	\$ 336,917	\$ 16,512	357,900	\$ 379,661	\$ 21,761
Amount for adjoining Special Service Area (Note 3)		(2,588)	(2,588)		1,970	1,970
Prior years' tax levies, net of refunds		(6,188)	(6,188)		(29)	(29)
Interest		50	50		492	492
Total revenue	320,405	328,191	7,786	357,900	382,094	24,194
<b>OPERATING PROGRAM EXPENSES</b>						
Advertising and promotion	51,000	36,376	(14,624)	23,500	16,305	(7,195)
Public way maintenance	99,075	100,014	939	92,800	91,565	(1,235)
Public way aesthetics	127,950	102,265	(25,685)	107,500	139,941	32,441
Tenant relocation and attraction	7,000	0	(7,000)	9,900	2,600	(7,300)
Façade improvement program	20,000	9,060	(10,940)	12,500	13,900	1,400
Safety programs	100,250	81,471	(18,779)	56,200	48,016	(8,184)
Other technical assistance	54,300	68,315	14,015	54,300	48,578	(5,722)
Operations and administrative support	41,080	30,726	(10,354)	41,890	34,708	(7,182)
Total operating program expenses	500,655	428,227	(72,428)	398,590	395,613	(2,977)
<b>CHANGE IN NET ASSETS</b>	\$ (180,250)	(100,036)	\$ 80,214	\$ (40,690)	(13,519)	\$ 27,171
<b>UNRESTRICTED NET ASSETS, beginning of year</b>		200,725			214,244	
<b>UNRESTRICTED NET ASSETS, end of year</b>		\$ 100,689			\$ 200,725	

The accompanying Notes to Financial Statements are an integral part of this statement.

## SPECIAL SERVICE AREA #18

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (100,036)	\$ (13,519)
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in prepaid expenses	2,550	0
Increase (decrease) in accounts payable and accrued expense	<u>(26,283)</u>	<u>13,732</u>
Net cash provided by operating activities	<u>(123,769)</u>	<u>213</u>
CASH IN BANK, beginning of year	<u>229,109</u>	<u>228,896</u>
CASH IN BANK, end of year	<u>\$ 105,340</u>	<u>\$ 229,109</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**SPECIAL SERVICE AREA #18**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of entity

Special Service Area #18 (“SSA”) 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 (“Association”) to provide additional services within the SSA’s boundaries.

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; installation and maintenance of a public WiFi zone, a façade and signage improvement program and maintaining a visible office with staff support to carry out promotional, educational and market research functions.

B. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities (actual and contingent) as of December 31, 2013 and of certain revenues and expenses during the year. Actual data as they subsequently develop may differ from those estimates.

C. Income taxes

As a unit of local government, the SSA is exempt from federal and Illinois income taxes.

2. REVENUES

Property taxes for each tax year are billed to, and due from, property owners in two installments during the succeeding calendar year. Each year’s contract provides that the compensation to the Association will be the lesser of the property taxes levied or the total amount of Special Service Area #18 tax funds actually collected for the preceding tax year.

The amount of Special Service Area #18 taxes levied were \$343,505 for the 2012 tax year (payable in 2013), and \$382,090 for the 2011 tax year (payable in 2012).

The SSA recognizes revenue under this contract when the collected taxes are distributed to the City of Chicago by Cook County. In both 2013 and 2012, refunds of prior years’ taxes exceeded collections of such taxes.

**SPECIAL SERVICE AREA #18**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

3. ADJOINING SPECIAL SERVICE AREA

When Special Service Area #18 was reconstituted in 2004, a parcel of real estate was included which was already a part of an adjoining special service area. From 2004 through 2008, funds approximating the tax levy for that parcel were transferred to the adjoining special service area. This agreement with the adjoining special service area was terminated during 2009. At December 31, 2011, an agreement was being negotiated involving this and certain issues involving services at the border of the areas; an estimated liability of \$3,000 was accrued. The new agreement was completed in November, 2012. Under this agreement, no payment was due the adjoining special service area for 2010 and earlier tax levy years, and the two special service areas evenly divide the property taxes from this parcel beginning with the 2011 tax levy year. Accordingly, a liability of \$1,030 was recognized at December 31, 2012.

4. NET ASSETS

The City of Chicago, and its Special Service Area #18, carry over unexpended tax funds to the succeeding fiscal year's budget. The Commission designates a like amount as a carryover to ensure consistency between the Fund's budgeting process and that of the City. The unexpended balance of tax funds at December 31, 2013 was \$105,339.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report.



# H. Gregory Mermel

**CERTIFIED PUBLIC ACCOUNTANT**

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## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
Special Service Area #18

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial position of the Special Service Area #18 as of December 31, 2013 and the related statements of activities and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated June 6, 2014. Our audit procedures included reading the Service Provider Agreement with Northalsted Area Merchants Association.

In connection with our audit, nothing came to our attention that caused us to believe that Northalsted Area Merchants Association failed to comply with the terms, covenants, provisions or conditions of its Service Provider Agreement insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Special Service Area #18 Commission and the City of Chicago, and is not intended to be and should not be used by anyone other than these specified parties.

H. GREGORY MERMEL, C.P.A., P.C.

June 6, 2014

H. Gregory Mermel, C.P.A., P.C.

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**SPECIAL SERVICE AREA #18**

**CARRYOVER OF UNEXPENDED TAX FUNDS  
YEAR ENDED DECEMBER 31, 2013**

Unexpended tax funds, beginning of year		
Cash in bank		\$ 228,896
Cash received		
Taxes	\$ 328,141	
Interest	50	
Total	<u>                    </u>	328,191
Expenses paid		<u>(451,747)</u>
Unexpended tax funds, end of year		<u><u>\$ 105,340</u></u>
Comprising		
Cash in bank		<u><u>\$ 105,340</u></u>