

**SPECIAL SERVICE AREA #45
CHICAGO, ILLINOIS**

FINANCIAL AND COMPLIANCE AUDIT REPORT

YEARS ENDED DECEMBER 31, 2017 AND 2016

SPECIAL SERVICE AREA #45

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INDEPENDENT AUDITORS' REPORT

Board of Directors of Far South CDC - Contractor
Commissioners of Special Service Area #45
Chicago, Illinois

We have audited the accompanying financial statements of Special Service Area # 45 (a taxing district authorized by the City of Chicago), which comprise the statements of net position and governmental funds balance sheets as of December 31, 2017 and 2016, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, and revenues and expenditures-budget and actual for the years 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area # 45 as of December 31, 2017 and 2016, and the changes in its net assets and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management' 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 is 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.

Ragland, Arnold, Buchanan, Morris & Associates, LLC

RAGLAND, ARNOLD, BUCHANAN, MORRIS & ASSOCIATES, LLC
Certified Public Accountants

Mokena, Illinois
April 30, 2018

SPECIAL SERVICE AREA NUMBER 45
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	DECEMBER 31, 2017			DECEMBER 31, 2016		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
CASH AND CASH EQUIVALENTS (NOTE 4-A & 5)	\$ 57,612	\$ -	\$ 57,612	\$ 3,532	\$ -	\$ 3,532
PROPERTY TAX RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTABLE TAXES (NOTE 4-B)	708,768	-	708,768	729,177	-	729,177
TOTAL ASSETS	\$ 766,380	\$ -	\$ 766,380	\$ 732,709	\$ -	\$ 732,709
LIABILITIES						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 18,996	\$ -	\$ 18,996	\$ 80,471	\$ -	\$ 80,471
TOTAL LIABILITIES	18,996	-	18,996	80,471	-	80,471
DEFERRED INFLOWS						
DEFERRED PROPERTY TAX REVENUE	708,768	(708,768)	-	729,177	(729,177)	-
FUND BALANCES/NET POSITION (NOTE 3-D)						
NON-SPENDABLE	-	-	-	-	-	-
COMMITTED	-	-	-	-	-	-
UNASSIGNED	38,616	(38,616)	-	(76,939)	76,939	-
TOTAL FUND BALANCE (DEFICIT)	38,616	(38,616)	-	(76,939)	76,939	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 766,380			\$ 732,709		
NET POSITION						
RESTRICTED		\$ (747,384)	\$ 747,384		\$ (652,238)	\$ 652,238
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:						
TOTAL FUND BALANCE-GOVERNMENTAL FUNDS		\$ 38,616	\$ 38,616			\$ (76,939)
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.			708,768			729,177
TOTAL NET POSITION-GOVERNMENTAL ACTIVITIES			\$ 747,384			\$ 652,238

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

SPECIAL SERVICE AREA NUMBER 45
 STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	DECEMBER 31, 2017			DECEMBER 31, 2016		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
REVENUES						
PROPERTY TAXES (NOTE 5)	\$ 479,739	\$ 154,119	\$ 633,858	\$ 523,975	\$ 50,573	\$ 574,548
INTEREST INCOME	13	-	13	3	-	3
TOTAL REVENUE	479,752	154,119	633,871	523,978	50,573	574,551
EXPENDITURES/EXPENSES						
CUSTOMER ATTRACTION	21,571	-	21,571	24,375	-	24,375
PUBLIC WAY AESTHETICS	47,704	-	47,704	111,743	-	111,743
SUSTAINABILITY & PUBLIC PLACES	-	-	-	-	-	-
ECONOMIC/BUSINESS DEVELOPMENT	-	-	-	-	-	-
SAFETY PROGRAMS	106,070	-	106,070	252,192	-	252,192
SUPPORT SERVICES	154,885	-	154,885	168,120	-	168,120
TOTAL EXPENDITURES/EXPENSES	330,230	-	330,230	556,430	-	556,430
TOTAL OF REVENUES OVER (EXPENDITURES)	149,522		149,522	(32,452)	41,246	8,794
CHANGE IN NET POSITION (NOTE 3-D)	-	303,641	303,641	-	18,121	18,121
FUND BALANCE/NET POSITION						
BEGINNING OF THE YEAR	(76,939)	729,177	652,238	(45,823)	694,048	648,225
PRIOR PERIOD ADJUSTMENT	(33,967)	(324,050)	(358,017)	1,336	(24,238)	(22,902)
END OF YEAR	<u>\$ 38,616</u>	<u>\$ 708,768</u>	<u>\$ 747,384</u>	<u>\$ (76,939)</u>	<u>\$ 729,177</u>	<u>\$ 652,238</u>
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:						
NET CHANGE IN FUND BALANCE-GOVERNMENTAL FUNDS			149,522			(32,452)
PROPERTY TAX REVENUE IS RECOGNIZED IN THE PERIOD FOR WHICH LEVIED RATHER THAN WHEN "AVAILABLE" FOR GOVERNMENTAL FUNDS			154,119			50,573
			<u>\$ 303,641</u>			<u>\$ 18,121</u>

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

SPECIAL SERVICES AREA NUMBER 45
 STATEMENTS OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	DECEMBER 31, 2017			DECEMBER 31, 2016		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:						
Property Taxes	\$ 743,438	\$ 479,739	\$ (263,699)	\$ 699,138	\$ 523,975	\$ (175,163)
Interest Income	-	13	13	-	3	3
TOTAL REVENUE	\$ 743,438	\$ 479,752	\$ (263,686)	\$ 699,138	\$ 523,978	\$ (175,160)
EXPENDITURES:						
1.00 Customer Attraction						
1.01 Website/Technology	300	-	(300)	-	-	-
1.02 Special Events	40,000	13,000	(27,000)	30,000	8,073	(21,927)
1.03 Free Wifi Program	-	-	-	1,200	-	(1,200)
1.05 Decorative Banners	12,000	8,400	(3,600)	10,000	-	(10,000)
1.06 Holiday Decorations	6,000	-	(6,000)	8,000	15,565	7,565
1.07 Print Materials	7,500	171	(7,329)	-	680	-
1.09 PR/Media Relations	-	-	-	10,000	57	(9,943)
1.09 PR/Media Relations	65,800	21,571	(44,229)	59,200	24,375	(35,505)
Total 1.00 - Advertising & Promotion						
2.00 Public Way Aesthetics						
2.03 Façade Enhancement Program	40,000	-	(40,000)	30,000	1,678	(28,322)
2.05 Streetscape Elements	68,901	-	(68,901)	-	-	-
2.06 Public Art	-	-	-	5,000	-	(5,000)
2.07 Sidewalk Maintenance	109,690	45,704	(63,986)	111,000	102,065	(8,935)
2.08 City Permits	-	-	-	4,000	-	-
2.09 Snow Removal	10,000	2,000	(8,000)	22,000	8,000	-
Total 2.00 - Public Way Aesthetics	228,591	47,704	(180,887)	172,000	111,743	(42,257)
3.00 Sustainability & Public Places						
3.01 Garbage/Recycling Material Program	-	-	-	-	-	-
Total 3.00 -Sustainability & Public Places						
4.00 Economic/Business Development						
4.07 Commission Development	-	-	-	525	-	(525)
Total 4.00 - Economic/Business Development	-	-	-	525	-	(525)
5.00 Safety Programs						
5.03 Security Patrol Services	273,016	106,070	(166,946)	297,300	252,192	(45,108)
Total 5.00 - Safety Programs	273,016	106,070	(166,946)	297,300	252,192	(45,108)

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

SPECIAL SERVICES AREA NUMBER 45
 STATEMENTS OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (Continued)
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	DECEMBER 31, 2017			DECEMBER 31, 2016		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
EXPENDITURES:						
6.00 SSA Management & Administration Costs						
6.02 Audit Fees	3,000	3,000	-	3,000	3,000	-
6.03 Bookkeeping/Accounting Fees	2,000	1,075	(925)	2,000	1,519	(481)
6.04 Office Rent	6,000	8,000	2,000	6,000	8,000	2,000
6.05 Office Utilities & Telecom	1,000	3,681	2,681	3,000	4,255	1,255
6.06 Office Supplies	1,500	1,191	(309)	1,500	1,499	(1)
6.07 Office Equipment-Lease & Maintenance	1,500	-	(1,500)	-	-	-
6.08 Office Printing	1,000	-	(1,000)	1,000	143	(857)
6.09 Postage	1,200	-	(1,200)	250	-	(250)
6.10 Meeting & Training Expenses	500	-	(500)	1,000	1,070	70
6.12 Banking Fees	1,000	140	(860)	-	3,147	3,147
6.12.1 Loan Interest Expense	3,000	3,329	329	-	-	-
6.13 Monitoring/Compliance	250	-	(250)	250	-	(250)
6.14 Equipment Purchase/Maintenance	2,500	123	(2,377)	1,000	-	(1,000)
6.17 Liability & Property Insurance	-	1,247	1,247	-	600	600
Other Legal & Professional Fees	-	2,118	2,118	-	437	437
Dues & Subscriptions	-	1,218	1,218	-	941	941
Total 6.00 - SSA Management & Administration Costs	24,450	25,122	672	19,000	24,611	5,611
7.00 Personnel Expenses						
7.01 Personnel Expenses-Executive Director	20,000	12,417	(7,583)	24,500	24,500	-
7.02 Personnel Expenses-Director of Operations	18,000	17,334	(666)	18,000	16,000	(2,000)
7.03 Personnel Expenses-Director of Marketing	18,000	5,833	(12,167)	18,000	13,923	(4,077)
7.04 Personnel Expenses-SSA Program Mngr	60,641	58,675	(1,966)	58,875	58,675	(200)
7.06 Personnel Expenses-Administrative Assnt	10,000	14,539	4,539	-	-	-
7.07 Personnel Expenses-Business Dvlp Dtr	-	-	-	5,000	5,000	-
7.11 Personnel Expenses-Taxes & Fringe Ben	24,940	20,965	(3,975)	19,645	25,411	5,766
Total 7.00 - Personnel Expenses	151,581	129,763	(21,818)	144,020	143,509	(511)
8.00 Loss Collection						
8.01 Loss Collection	-	-	-	7,093	-	(7,093)
Total 8.00 - Loss Collection	-	-	-	7,093	-	(7,093)
TOTAL EXPENDITURES	743,438	330,230	(413,208)	699,138	556,430	(125,388)
NET EXCESS OF REVENUES OVER (EXPENSES)	\$ -	\$ 149,522	\$ 149,522	\$ -	\$ (32,452)	\$ (49,772)

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

SPECIAL SERVICE AREA NUMBER 45

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

ORGANIZATION

Far South CDC, (a contractor for) Special Service Area #45 is a not-for-profit Illinois corporation exempt from income tax under Section 501(c) (3) of the U. S. Internal Revenue Code. The Organization which is located within the boundaries of the City of Chicago serves as coordinator and executor of comprehensive plans designed to improve the community business district outlined for the SSA through programs which improve the economic development, aesthetics, marketing and special events for the business district.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. REPORTING ENTITY

Special Service Area 45 (SSA # 45) provides services on behalf of the City of Chicago (City) within a specified geographic area. These services include promotional and advertising, maintenance of the public way, safety, and other functions. The SSA is exempt from federal income tax under Section 501(c)(3) of the internal revenue code.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The financial statements of SSA #45 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 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.

3. 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 are 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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Financial Statements

Comparative financial statements were presented in full. Prior year amounts were taken from the 2016 audit report, issued in Governmental funds financial statement format at April 26, 2017, with an unmodified opinion.

4. ASSETS, LIABILITIES, AND INVESTMENTS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The SSA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City of Chicago requires Far South CDC to hold SSA 45 money in a separate account and cannot be comingled with Far South CDC's other operations. The Organization has no investments as of December 31, 2017 and 2016.

B. RECEIVABLES

All property tax receivables are shown net of allowances. For the years ended, December 31, 2017 and 2016, the allowance is estimated to be 1.1% of the outstanding property taxes. The allowance for uncollectible property taxes were \$7,883 and \$8,711, respectively. Property taxes receivable and deferred revenue are the same amount, as they are future cash receipts that will be collected in the subsequent year.

	2017	2016
Property Taxes Receivable	\$ 716,651	\$ 737,888
Less: Allowance for Uncollectible Taxes	<u>(7,883)</u>	<u>(8,711)</u>
Equals Net Property Taxes Receivables	<u>\$ 708,768</u>	<u>\$ 729,177</u>

C. PREPAID ITEMS

The SSA had no prepaid items as of December 31, 2017 and 2016, respectively.

D. 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 (4) 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, 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 asset 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.

5. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in a bank deposit account at Harris Bank, which at times, may exceed the FDIC federally insured limits. The SSA has not experienced any losses in such accounts. The Organization believes that the SSA is not exposed to any significant credit risk in cash. As of December 31, 2017 and 2016, cash in bank did not exceed the \$250,000 ceiling for FDIC insurance, respectively.

6. PROPERTY TAXES

Property taxes become an enforceable lien on real property on January 1st of the year it is levied. Taxes are payable in (2) two installments in the subsequent year. The first installment is an estimate based on the prior year billed levy (55%) and is due in March. The second installment is due August 1st. or 30 days from the mailing of the tax bills if issued later than July 1st. 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.

7. RELATED PARTY TRANSACTIONS

The SSA is affiliated with Far South CDC, which provides certain administrative services for the SSA. As of December 31, 2017 and 2016 \$0 and \$0 was payable for services provided. The balance resulted from the time lag that 1) goods and services are being provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments are being made.

SUPPLEMENTAL INFORMATION

SPECIAL SERVICE AREA #45
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017

Far South CDC/Special Service Area # 45 did not have any audit findings noted for the year ended December 31, 2016.

SPECIAL SERVICE AREA #45
SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017

As part of our audit and request by the Special Service Area Annual Audited Financial Statement Guidelines prepared by the City of Chicago Department of Housing and Economic Development dated June 2013, we have read the requirements contained in the Agreement for Special Service Area # 45 between the City of Chicago and Far South CDC.

Per Article 5.03, the Contractor established a separate bank account in Chicago, Illinois. All service tax funds were automatically deposited into this bank account.

We noted certain expenditures for which actual expenses exceeded budgeted amounts.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no significant findings. Many of the contractual items that were included in the agreement dealt with non-accounting and non-financial matters of which we had no knowledge.