

Calumet Heights/Avalon Park Commission

SSA #50

Financial Statements

Years ended December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)



CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

TABLE OF CONTENTS

	<u>Page(s)</u>
PART I - FINANCIAL	
Independent Auditors' Report.....	1 - 2
Statements of Net Position.....	3
Statements of Activities – Budget to Actual.....	4 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 - 12
Schedule of Findings and Responses:	
Summary Schedule of Audit Findings.....	13
Summary Schedule of Prior Audit Findings.....	14
PART II – GOVERNMENT AUDITING STANDARDS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 - 16



MO Financial Services, Inc
1411 Williams Street
Flossmoor, Illinois 60422
Tel: 773-406-5870
Fax: 312-268-6520

Independent Auditors' Report

The Board of Commissioners Calumet Heights/Avalon Park Commission (SSA #50):

We have audited the accompanying financial statements of the Calumet Heights/Avalon Park Commission SSA #50 (the Commission), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of activities-budget to actual, and cash flows 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Calumet Heights/Avalon Park Commission SSA #50 as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 2015 and 2014 budget amounts, which were arrived at by the Commission are shown in the statement of activities – budget to actual, are presented for comparison purposes and purposes of additional analysis and are 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. We have not performed any auditing procedures on the budget amounts and therefore, express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

MO Financial Services, Inc.

MO Financial Services, Inc.
Flossmoor, IL
May 18, 2016

PART I - FINANCIAL

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statements of Net Position

Years ended December 31, 2015 and 2014

	Assets	2015	2014
Current assets:			
Cash	\$	14,755	3,441
Levy receivables (note 5)		97,125	84,237
Total assets	\$	111,880	87,678
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$	32,778	28,752
Advance from Southeast Chamber		-	20,750
Total current liabilities		32,778	49,502
Net assets:			
Unrestricted		79,102	38,176
Total liabilities and net assets	\$	111,880	87,678

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

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2015

	Actual	Budget	Variance
Revenues:			
Tax levy revenue (note 4)	\$ 499,960	566,960	(67,000)
Miscellaneous revenue	-	-	-
Interest revenue	9	-	9
Total revenues	499,969	566,960	(66,991)
Expenditures:			
1.00 - Advertising and promotion			
Website and/or social media	1,714	3,500	(1,786)
Special events	115,892	40,000	75,892
Free wi-fi program	-	500	(500)
Social media outreach	446	5,000	(4,554)
Decorative banners	15,027	14,000	1,027
Holiday decorations	-	10,000	(10,000)
Print materials	2,165	5,500	(3,335)
Display ads (print, billboards, transit, etc.)	35	8,000	(7,965)
PR/Media relations	359	5,000	(4,641)
Service provider direct services	-	-	-
Total advertising and promotion services	135,638	91,500	44,138
2.00 - Public way aesthetics			
Acid etching removal/prevention	-	500	(500)
Landscaping	-	1,000	(1,000)
Façade enhancement program	-	10,000	(10,000)
Public way finding/signage	-	5,000	(5,000)
Streetscape elements	-	25,000	(25,000)
Public art	-	26,800	(26,800)
Sidewalk maintenance	56,125	100,000	(43,876)
City permits	-	1,300	(1,300)
Service provider direct services	-	-	-
Total public way maintenance	56,125	169,600	(113,476)
3.00 - Sustainability and public place			
Garbage and recycling	-	4,000	(4,000)
Decorative banners/holiday decorations	-	-	-
Wayfinding/signage	-	-	-
Public art	-	-	-
Landscaping (plants, watering, etc.)	-	-	-
Storage fees	-	-	-
Liability/property insurance	-	-	-
Supplies and equipment	-	-	-
Service provider direct services	-	-	-
Total public way aesthetic	-	4,000	(4,000)
4.00 - Economic/business development			
Site Marketing	9,720	1,500	8,220
Group purchasing program	-	-	-
Supplemental transit	-	-	-
Wi-fi district infrastructure	-	-	-
Strategic planning	-	3,000	(3,000)
Economic impact study	-	5,000	(5,000)
Commission development	2,862	1,500	1,362

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2015

	Actual	Budget	Variance
Service provider direct services	-	-	-
Total district planning services	12,582	11,000	1,582
5.00 - Safety			
Public way surveillance cameras/maintenance			-
Security services	82,417	160,000	(77,583)
Service provider direct services			-
Total safety programs	82,417	160,000	(77,583)
6.00 - Operational and administrative support			
SSA annual report	-	3,000	(3,000)
Audit/bookkeeping	16,326	9,000	7,326
Meeting expense	3,255	2,500	755
Office rent	6,547	4,800	1,747
Office equipment lease/maintenance	-	1,500	(1,500)
Office supplies	1,005	500	505
Office utilities/telephone	8,972	1,500	7,472
Postage	-	2,500	(2,500)
Office printing/annual report	-	1,500	(1,500)
Subscriptions/dues	-	500	(500)
Banking fees	564	360	204
Office equipment purchase/maintenance	-	500	(500)
Supplies	-	500	(500)
Storage fees	1,379	2,000	(621)
Liability/property insurance	-	200	(200)
Total operational and administrative support	38,048	30,860	7,188
7.00 - Personnel			
Executive director and fringe	75,285	60,000	15,285
Program manager and fringe	20,179	40,000	(19,821)
Total personnel	95,464	100,000	(4,536)
8.00 - Loss collection			
Loss collection	38,770	-	38,770
Total operational and administrative support	38,770	-	38,770
Total expenditures	\$ 459,043	566,960	(107,917)
Excess of expenditures over revenues	40,926		
Net assets, January 1, 2015	38,176		
Net assets, December 31, 2015	79,102		

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

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2014

	Actual	Budget	Variance
Revenues:			
Tax levy revenue (note 4)	\$ 499,360	697,985	(198,625)
Miscellaneous revenue	-	-	-
Interest revenue	21	-	21
Total revenues	499,381	697,985	(198,604)
Expenditures:			
Advertising and promotion services			
Website and/or social media	794	5,000	(4,206)
Public/media relations services	-	5,000	(5,000)
Special events	93,601	50,000	43,601
Display advertising	525	8,000	(7,475)
Print materials	909	7,000	(6,091)
Service provider direct services	-	-	-
Total advertising and promotion services	95,829	75,000	20,829
Public way maintenance			
Sidewalk cleaning	87,160	100,000	(12,840)
Snow removal	-	25,000	(25,000)
Sidewalk power washing	-	1,000	(1,000)
Acid etching removal and/or prevention	-	-	-
Service provider direct services	-	-	-
Total public way maintenance	87,160	126,000	(38,840)
Public way aesthetic			
Streetscape elements purchase	12,587	10,000	2,587
Decorative banners/holiday decorations	2,128	15,000	(12,872)
Wayfinding/signage	-	5,000	(5,000)
Public art	-	35,000	(35,000)
Landscaping (plants, watering, etc.)	-	13,000	(13,000)
Storage fees	-	2,000	(2,000)
Liability/property insurance	-	200	(200)
Supplies and equipment	-	1,000	(1,000)
Service provider direct services	-	-	-
Total public way aesthetic	14,715	81,200	(66,485)
Tenant retention/attraction			
Data collection	-	1,500	(1,500)
Site marketing materials	7,330	1,500	5,830
Property owners tenant relations	336	-	336
Service provider direct services	-	-	-
Total tenant retention/attraction	7,666	3,000	4,666
Façade improvements			
Façade enhancements program - rebates	-	10,000	(10,000)
Awning program - rebates	-	10,000	(10,000)
Signage removal program - rebates	-	1,000	(1,000)
Program costs (applications, etc.)	-	1,000	(1,000)
Service provider direct services	-	-	-
Total façade improvements	-	22,000	(22,000)

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2014

	Actual	Budget	Variance
Parking/transit/accessibility			
Bicycle transit enhancements	-	5,000	(5,000)
Public transit enhancements	-	5,000	(5,000)
Service provider direct services	-	1,000	(1,000)
Total parking/transit/accessibility	-	11,000	(11,000)
Safety programs			
Public way surveillance cameras/maintenance	-	10,000	(10,000)
Security services	167,930	167,500	430
Service provider direct services	-	-	-
Total safety programs	167,930	177,500	(9,570)
District planning			
Commission development	5,809	10,000	(4,191)
Service provider direct services	-	1,500	(1,500)
Total district planning services	5,809	11,500	(1,500)
Other technical assistance			
Wifi district infrastructure/maintenance	-	10,000	(10,000)
Total other technical assistance	-	10,000	(10,000)
Operational and administrative support			
Audit/bookkeeping	11,815	14,000	(2,185)
Meeting expense	5,063	2,500	2,563
Office rent	11,159	6,000	5,159
Office equipment lease/maintenance	325	1,500	(1,175)
Office supplies	3,207	500	2,707
Office utilities/telephone	12,489	1,500	10,989
Postage	315	2,000	(1,685)
Office printing/annual report	-	1,500	(1,500)
Subscriptions/dues	-	500	(500)
Banking fees	589	360	229
Loss collection	54,848	30,000	24,848
Late collection	-	40,000	(40,000)
Service provider administrative support	96,908	80,425	16,483
Total operational and administrative support	196,718	180,785	15,933
Total expenditures	\$ 575,827	697,985	(117,967)
Excess of expenditures over revenues	(76,446)		
Net assets, January 1, 2014	114,622		
Net assets, December 31, 2014	38,176		

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

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statements of Cash Flows

Years ended December 31, 2015 and 2014

Cash flows from operating activities:		
Net decrease in net assets	\$ 40,927	(76,446)
Adjustments to reconcile increase in net assets to cash used in operating activities:		
(Decrease) Increase in levy receivable	(12,888)	15,570
Increase (Decrease) in accounts payable and other liabilities	(16,725)	45,527
Net cash used in operating activities	11,314	(15,349)
Cash flows provided by investing activities:	-	-
Cash flows provided by financing activities:	-	-
Net decrease in cash	11,314	(15,349)
Cash at beginning of the year	3,441	18,790
Cash at end of the year	\$ 14,755	3,441

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

CALUMET HEIGHTS/AVALON PARK COMMISSION (SSA # 50)

Notes to the Financial Statements

Years ended December 31, 2015 and 2014

(1) Organization Description

Special Service Areas (SSA), known as Business Improvement Districts or BIDs in other cities, are local tax districts that fund expanded services and programs through a localized property tax levy within contiguous areas. The enhanced services and programs are in addition to those currently provided through the City. The Commission's operations are overseen by the Southeast Chicago Chamber of Commerce (the Chamber). The boundaries of the SSA are 79th Street and Paxton avenues west to 79th Street and the Metra tracks, 79th and Stony Island south to 94th and Stony Island, and 87th and Jeffrey west to 87th and Woodlawn in Chicago, Illinois.

SSA-funded projects typically include but are not limited to: public way maintenance and beautification; district marketing and advertising; business retention/attraction, special events and promotional activities; auto and bike transit; security; façade improvements; and other commercial and economic development initiatives.

The City contracts with local non-profits, called Service Providers, to manage SSAs. SSA Commissioners for each SSA district, which are appointed by the Mayor, oversee and recommend the annual services, budget and Service Provider Agency to the City. There are currently 44 active SSAs in Chicago.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Commission maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements have been prepared to focus on the Commission as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted, as recommended by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, "Not-for-Profit Entities, Presentation of Financial Statements".

Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2015 and 2014

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the Commission and/or passage of time. As of December 31, 2015 and 2014, the Commission maintained no temporarily restricted net assets.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained by the Commission. Generally, the donors to these assets permit the Commission to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2015 and 2014, the Commission maintained no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions

The Commission accounts for contributions in accordance with FASB ASC 958-605, "Not-for-Profit Entities, Revenue Recognition". Per FASB ASC 958-605, contributions, including unconditional promises-to-give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Commission considers cash on deposit at banks and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2015 and 2014

Income Taxes

The Commission, as a Special Service Area established by the City of Chicago, is excluded from federal income taxes.

Fixed Assets

Expenditures greater than \$5,000 for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are:

Leasehold improvements	5 years
Furniture and equipment	3 - 7 years

Fair Value Measurements

The Commission measures fair value in accordance with FASB ASC 820-10, "Fair Value Measurements and Disclosures". Under FASB ASC 820-10, a comprehensive framework for measuring fair value and disclosing those measurements of fair value is established. Specifically, FASB ASC 820-10 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value input.

Net Assets

Unrestricted net assets are \$79,102 and \$38,678 as of December 31, 2015 and 2014, respectively.

(3) Real Estate Tax Revenue

The Commission's principle source of revenue is from real estate taxes levied on certain property located in the boundaries. The taxes are assessed and collected by Cook County and paid to the City of Chicago, which then remits to the Commission. Taxes are levied in one year, but paid in two installments the following year by the property owners. The Commission recognizes this revenue in the year in which the funds become available. Calumet Heights Avalon Commission (the Commission) Special Service Area No. 50 (SSA # 50) was created December 8, 2010 by ordinance of the Chicago City Council. The Commission began financial operations upon receipt of real estate tax assessment revenues in January 2011.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2015 and 2014

(4) Levy Receivable

Levy receivable consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
City of Chicago	<u>\$ 98,125</u>	<u>\$ 84,237</u>

All of the Commission's receivables are due within the next fiscal year.

(5) Loss Collection

The Commission uses the allowance for doubtful account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts in the financial statements. At December 31, 2015 and 2014, the Commission had loss collections included in the budget in the amounts of \$0 and \$30,000 respectively. As of December 31, 2015 and 2014, the Commission deemed \$0 to be uncollectible for each year, respectively.

(6) Significant Concentrations

The Commission's total support and revenues for the year ended December 31, 2015 and 2014 amounted to \$499,969 and \$499,381, respectively. Of these amounts, \$499,960 (99.99%) and \$499,360 (99.99%) for 2015 and 2014, respectively, was funding received from the County tax levy. This concentration on funding puts the Commission at risk due to the significant economic challenges being faced by the County and City government. Additionally, the Commission is subject to the management decisions and operating results of these funding agencies.

(7) Subsequent Events

For the fiscal years ending December 31, 2015 and 2014, the Commission's management has evaluated subsequent events through May 18, 2016, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Service Provider Agreement Compliance

Summary Schedule of Audit Findings

Year ended December 31, 2015

There were no current year findings.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Service Provider Agreement Compliance

Summary Schedule of Prior Audit Findings

Year ended December 31, 2015

There were no prior year findings.

PART II – GOVERNMENT AUDITING STANDARDS

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Southeast Chicago Chamber of Commerce and Calumet Heights/Avalon Park Commission:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Calumet Heights/Avalon Park Commission (the Commission), which comprise the statement of net position as of and for the years ended December 31, 2015 and 2014, and the related statements of activities-budget to actual, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MO Financial Services, Inc.

MO Financial Services, Inc.
Flossmoor, IL
May 18, 2016