

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

**FINANCIAL AND COMPLIANCE AUDIT REPORT**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**SPECIAL SERVICE AREA #45**

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# Ragland & Associates, LLC

Certified Public Accountants and Management Consultants

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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, 2016 and 2015, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, and revenues and expenses-budget to 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.

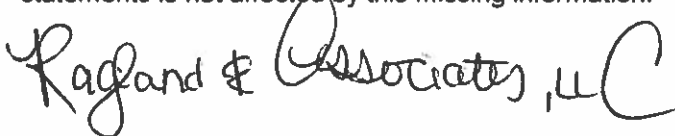
### **Opinion**

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, 2016 and 2015, 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.

A handwritten signature in black ink that reads "Ragland & Associates, LLC". The signature is written in a cursive, flowing style.

**RAGLAND & ASSOCIATES, LLC**  
**Certified Public Accountants**

Mokena, Illinois  
April 26, 2017

SPECIAL SERVICE AREA NUMBER 45  
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015

	DECEMBER 31, 2016		DECEMBER 31, 2015			
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS (NOTE 3-A)	\$ 3,532	\$ -	\$ 3,532	\$ 43,027	\$ -	\$ 43,027
PROPERTY TAX RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTABLE TAXES (NOTE 3-B)	729,177	-	729,177	620,220	-	620,220
<b>TOTAL ASSETS</b>	<u>\$ 732,709</u>	<u>\$ -</u>	<u>\$ 732,709</u>	<u>\$ 663,247</u>	<u>\$ -</u>	<u>\$ 663,247</u>
<b>LIABILITIES</b>						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 80,471	\$ -	\$ 80,471	\$ 32,579	\$ -	\$ 32,579
<b>TOTAL LIABILITIES</b>	<u>80,471</u>	<u>-</u>	<u>80,471</u>	<u>32,579</u>	<u>-</u>	<u>32,579</u>
<b>DEFERRED INFLOWS</b>						
DEFERRED PROPERTY TAX REVENUE	729,177	(729,177)	-	620,220	(620,220)	-
<b>FUND BALANCES/NET POSITION (NOTE 3-D)</b>						
NON-SPENDABLE	-	-	-	-	-	-
COMMITTED	-	-	-	-	-	-
UNASSIGNED	(76,939)	76,939	-	10,448	(10,448)	-
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<u>(76,939)</u>	<u>76,939</u>	<u>-</u>	<u>10,448</u>	<u>(10,448)</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 732,709</u>			<u>\$ 663,247</u>		<u>\$ 630,668</u>
<b>NET POSITION</b>						
RESTRICTED		<u>\$ (652,238)</u>	<u>\$ 652,238</u>		<u>\$ (630,668)</u>	<u>\$ 630,668</u>
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:						
TOTAL FUND BALANCE-GOVERNMENTAL FUNDS		\$ (76,939)	\$ (76,939)			\$ 10,448
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.		729,177	729,177			620,220
<b>TOTAL NET POSITION-GOVERNMENTAL ACTIVITIES</b>		<u>\$ 652,238</u>	<u>\$ 652,238</u>			<u>\$ 630,668</u>

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, 2016 AND 2015

	DECEMBER 31, 2016			DECEMBER 31, 2015		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
<b>REVENUES</b>						
PROPERTY TAXES (NOTE 5)	\$ 523,975	\$ 50,573	\$ 574,548	\$ 656,777	\$ (19,806)	\$ 636,971
INTEREST INCOME	3		3	18		18
<b>TOTAL REVENUE</b>	<b>523,978</b>	<b>50,573</b>	<b>574,551</b>	<b>656,795</b>	<b>(19,806)</b>	<b>636,989</b>
<b>EXPENDITURES/EXPENSES</b>						
CUSTOMER ATTRACTION	24,375		24,375	43,245		43,245
PUBLIC WAY AESTHETICS	111,743		111,743	162,264		162,264
SUSTAINABILITY & PUBLIC PLACES	-		-	-		-
ECONOMIC/BUSINESS DEVELOPMENT	-		-	-		-
SAFETY PROGRAMS	252,192		252,192	272,192		272,192
SUPPORT SERVICES	168,120		168,120	155,275		155,275
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>556,430</b>		<b>556,430</b>	<b>632,976</b>		<b>632,976</b>
TOTAL OF REVENUES OVER (EXPENDITURES)	(32,452)	41,246	8,794	23,819	(23,819)	-
<b>CHANGE IN NET POSITION (NOTE 3-D)</b>		18,121	18,121		4,013	4,013
<b>FUND BALANCE/NET POSITION</b>						
BEGINNING OF THE YEAR	10,448	614,875	625,323	(13,371)	634,681	621,310
PRIOR PERIOD ADJUSTMENT	(54,935)	54,935	-	-	-	-
END OF YEAR	<u>(76,939)</u>	<u>\$ 729,177</u>	<u>\$ 652,238</u>	<u>\$ 10,448</u>	<u>\$ 614,875</u>	<u>\$ 625,323</u>
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:						
NET CHANGE IN FUND BALANCE-GOVERNMENTAL FUNDS		(32,452)				23,819
PROPERTY TAX REVENUE IS RECOGNIZED IN THE PERIOD FOR WHICH LEVIED RATHER THAN WHEN "AVAILABLE" FOR GOVERNMENTAL FUNDS			50,573			(19,806)
			<u>\$ 18,121</u>			<u>\$ 4,013</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, 2016 AND 2015

	DECEMBER 31, 2016			DECEMBER 31, 2015		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>						
Property Taxes	\$ 699,138	\$ 523,975	\$ (175,163)	\$ 759,727	\$ 656,777	\$ (102,950)
Interest Income	-	3	3	-	18	18
<b>TOTAL REVENUE</b>	<b>\$ 699,138</b>	<b>\$ 523,975</b>	<b>\$ (175,163)</b>	<b>\$ 759,727</b>	<b>\$ 656,777</b>	<b>\$ (102,950)</b>
<b>EXPENDITURES:</b>						
<b>1.00 Customer Attraction</b>						
1.01 Website/Technology	-	-	-	5,000	-	(5,000)
1.02 Special Events	30,000	8,073	(21,927)	1,500	-	(1,500)
1.03 Free Wifi Program	1,200	-	(1,200)	1,200	-	(1,200)
1.05 Decorative Banners	10,000	-	(10,000)	10,000	17,885	7,885
1.06 Holiday Decorations	8,000	15,565	7,565	7,000	-	(7,000)
1.07 Print Materials	-	680	680	-	-	-
1.09 PR/Media Relations	10,000	57	(9,943)	10,000	25,360	15,360
Total 1.00 - Advertising & Promotion	59,200	24,375	(34,825)	34,700	43,245	8,545
<b>2.00 Public Way Aesthetics</b>						
2.03 Façade Enhancement Program	30,000	1,678	(28,322)	70,000	38,574	(31,426)
2.06 Public Art	5,000	-	(5,000)	5,000	-	(5,000)
2.07 Sidewalk Maintenance	111,000	102,065	(8,935)	147,000	123,690	(23,310)
2.08 City Permits	4,000	-	(4,000)	-	-	-
2.09 Snow Removal	22,000	8,000	(14,000)	-	-	-
Total 2.00 - Public Way Aesthetics	172,000	111,743	(60,257)	222,000	162,264	(59,736)
<b>3.00 Sustainability &amp; Public Places</b>						
3.01 Garbage/Recycling Material Program	-	-	-	-	-	-
Total 3.00 -Sustainability & Public Places	-	-	-	-	-	-
<b>4.00 Economic/Business Development</b>						
4.07 Commission Development	525	-	(525)	-	-	-
Total 4.00 - Economic/Business Development	525	-	(525)	-	-	-
<b>5.00 Safety Programs</b>						
5.03 Security Patrol Services	297,300	252,192	(45,108)	339,066	272,192	(66,874)
Total 5.00 - Safety Programs	297,300	252,192	(45,108)	339,066	272,192	(66,874)

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, 2016 AND 2015**

	DECEMBER 31, 2016			DECEMBER 31, 2015		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>EXPENDITURES:</b>						
6.00 SSA Management & Administration Costs						
6 02 Audit Fees	3,000	3,000	-	3,000	3,750	750
6 03 Bookkeeping/Accounting Fees	2,000	1,519	(481)	1,800	2,338	538
6 04 Office Rent	6,000	8,000	2,000	15,000	9,300	(5,700)
6 05 Office Utilities & Telecomm	3,000	4,255	1,255	5,000	3,630	(1,370)
6 06 Office Supplies	1,500	1,499	(1)	2,500	1,942	(558)
6 07 Office Equipment-Lease & Maintenance	-	-	-	4,000	-	(4,000)
6 09 Postage	1,000	143	(857)	750	250	(500)
6 10 Meeting Expenses	250	-	(250)	-	-	-
6 12 Banking Fees	1,000	1,070	70	500	252	(248)
6 13 Monitoring/Compliance	250	-	(250)	-	-	-
6 14 Equipment Purchase/Maintenance	1,000	-	(1,000)	-	-	-
6 16 Storage Fees	-	-	-	-	-	-
6 17 Liability & Property Insurance	-	600	600	779	-	(779)
Other Legal & Professional Fees	-	437	437	277	1,326	1,049
Dues & Subscriptions	-	941	941	-	388	388
Interest Expense	-	3,147	3,147	-	2,490	2,490
<b>Total 6 00 - SSA Management &amp; Administration Costs</b>	<b>19,000</b>	<b>24,611</b>	<b>5,611</b>	<b>33,606</b>	<b>27,825</b>	<b>(5,781)</b>
7.00 Personnel Expenses						
7 01 Personnel Expenses-Executive Director	24,500	24,500	-	36,980	25,375	(11,605)
7 02 Personnel Expenses-Office Manager	18,000	16,000	(2,000)	20,000	23,813	3,813
7 03 Personnel Expenses-SSA Program Mngr	58,875	58,675	(200)	50,000	58,675	8,675
7 05 Personnel Expenses-Marketing Director	18,000	13,923	(4,077)	-	-	-
7 06 Personnel Expenses-Business Dvlp Dir	5,000	5,000	-	-	-	-
7 11 Personnel Expenses-Taxes & Fringe Ben	19,645	25,411	5,766	18,875	19,587	712
<b>Total 7.00 - Personnel Expenses</b>	<b>144,020</b>	<b>143,509</b>	<b>(511)</b>	<b>125,855</b>	<b>127,450</b>	<b>1,595</b>
8.00 Loss Collection						
8.01 Loss Collection	7,093	-	(7,093)	4,500	-	(4,500)
Total 8.00 - Loss Collection	7,093	-	(7,093)	4,500	-	(4,500)
<b>TOTAL EXPENDITURES</b>	<b>699,138</b>	<b>556,430</b>	<b>(142,708)</b>	<b>759,727</b>	<b>632,976</b>	<b>(126,751)</b>
<b>NET EXCESS OF REVENUES OVER (EXPENSES)</b>	<b>\$ -</b>	<b>\$ (32,455)</b>	<b>\$ (32,455)</b>	<b>\$ -</b>	<b>\$ 23,801</b>	<b>\$ 23,801</b>

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



## **SPECIAL SERVICE AREA NUMBER 45**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

#### **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 2015 audit report, reissued in Governmental funds financial statements at December 9, 2016, with an unmodified opinion.

**3. 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, 2016 and 2015.

**B. RECEIVABLES**

All property tax receivables are shown net of allowances. For the years ended, December 31, 2016 and 2015, the allowance is estimated to be 1.1% of the outstanding property taxes. The allowance for uncollectible property taxes were \$8,111 and \$7,093, 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.

	<u>2016</u>	<u>2015</u>
Property Taxes Receivable	\$ 737,888	\$ 627,313
Less: Allowance for Uncollectible Taxes	<u>(8,111)</u>	<u>(7,093)</u>
Equals Net Property Taxes Receivables	<u>\$ 729,177</u>	<u>\$ 620,220</u>

**C. PREPAID ITEMS**

The SSA had no prepaid items as of December 31, 2016 and 2015, respectively.

**D. FUND EQUITY/NET POSITION**

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable 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.

#### **4. CASH, CASH EQUIVALENTS AND INVESTMENTS**

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.

#### **5. PROPERTY TAXES**

Property taxes become an enforceable lien on real property on January 1<sup>st</sup> 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 1<sup>st</sup>. or 30 days from the mailing of the tax bills if issued later than July 1<sup>st</sup>. 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.

#### **6. RELATED PARTY TRANSACTIONS**

The SSA is affiliated with Far South CDC, which provides certain administrative services for the SSA. As of December 31, 2016 and 2015 \$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, 2016**

Far South CDC/Special Service Area # 45 did not have any audit findings noted for the year ended December 31, 2015.

**SPECIAL SERVICE AREA #45**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2016**

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.