

Calumet Heights/Avalon Park Commission

SSA #50

Financial Statements

Years ended December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

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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, 2017 and 2016, 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, 2017 and 2016, 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 2017 and 2016 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 2, 2018, 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.
Naperville, IL
May 2, 2018

PART I - FINANCIAL

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statements of Net Position

Years ended December 31, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash	\$ 24,479	128,746
Levy receivables (note 5)	140,894	84,756
Total assets	\$ 165,373	213,502
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 984	34,367
Total current liabilities	984	34,367
Net assets:		
Unrestricted	164,389	179,134
Total liabilities and net assets	\$ 165,373	213,501

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, 2017

	Actual	Budget	Variance
Revenues:			
Tax levy revenue (note 4)	\$ 543,615	543,615	-
Interest revenue	68	-	68
Total revenues	543,683	543,615	68
Expenditures:			
1.00 - Customer attraction			
Website and/or social media	489	6,000	(5,511)
Special events	147,160	41,500	105,660
Free wifi program	-	500	(500)
Social media outreach	3,765	3,000	765
Decorative banners	-	12,000	(12,000)
Holiday decorations	12,320	15,000	(2,680)
Print materials	10,244	8,000	2,244
PR/Media relations	727	-	727
Total advertising and promotion services	174,705	86,000	88,705
2.00 - Public way aesthetics			
Acid etching removal/prevention	-	600	(600)
Landscaping	-	5,000	(5,000)
Façade enhancement program	2,475	12,153	(9,678)
Way finding/signage	-	6,000	(6,000)
Streetscape elements	20,090	14,000	6,090
Public art	27,686	55,000	(27,314)
Sidewalk maintenance	39,995	97,527	(57,532)
City permits	-	1,473	(1,473)
Periodic snow removal	-	2,600	(2,600)
Total public way maintenance	90,246	194,353	(104,107)
3.00 - Sustainability and public place			
Garbage and recycling	-	4,000	(4,000)
Total public way aesthetic	-	4,000	(4,000)
4.00 - Economic/busines development			
Site Marketing	28,456	3,900	24,556
Commissions development	-	-	-
Wi-fi district infrastructure	-	600	(600)
Strategic planning	-	8,000	(8,000)
Economic impact study	-	2,500	(2,500)
Total district planning services	28,456	15,000	13,456

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2017

	Actual	Budget	Variance
5.00 - Safety			
Security patrol services	68,092	114,902	(46,810)
Total safety programs	68,092	114,902	(46,810)
6.00 - Operational and administrative support			
SSA annual report	-	4,000	(4,000)
Audit/bookkeeping	4,000	4,000	-
Bookkeeping	9,606	6,000	3,606
Meeting expense	5,051	-	5,051
Office rent	10,950	4,800	6,150
Office equipment lease/maintenance	10,788	3,000	7,788
Office supplies	2,984	1,500	1,484
Office utilities/telephone	10,597	1,000	9,597
Postage	1,760	1,000	760
Office printing	-	500	(500)
Commissions meetings and trainings	-	3,000	(3,000)
Subscriptions and dues	-	500	(500)
Banking fees	145	360	(215)
Office equipment purchase/maintenance	-	-	-
Supplies	1,007	1,000	7
Storage fees	2,422	1,800	622
Interest on past due loans	695	600	95
Liability/property insurance	-	300	(300)
Total operational and administrative support	60,005	33,360	26,645
7.00 - Personnel			
Executive director and fringe	70,437	70,000	437
Program manager and fringe	36,695	26,000	10,695
Total personnel	107,132	96,000	11,132
8.00 - Loss collection			
Loss collection	29,793	-	29,793
Total operational and administrative support	29,793	-	29,793
Total expenditures	\$ 558,429	543,615	14,814
Excess of expenditures over revenues	(14,746)		
Net assets, January 1, 2017	179,134		
Net assets, December 31, 2017	164,389		

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, 2016

	Actual	Budget	Variance
Revenues:			
Tax levy revenue (note 4)	\$ 499,910	499,910	-
Interest revenue	15	-	15
Total revenues	499,925	499,910	15
Expenditures:			
1.00 - Advertising and promotion			
Website and/or social media	390	5,500	(5,110)
Special events	14,306	44,000	(29,694)
Social media outreach	204	3,500	(3,296)
Decorative banners	5,880	10,000	(4,120)
Holiday decorations	4,280	14,000	(9,720)
Print materials	6,388	4,500	1,888
PR/Media relations	-	3,500	(3,500)
Total advertising and promotion services	31,448	85,000	(53,552)
2.00 - Public way aesthetics			
Acid etching removal/prevention	-	500	(500)
Landscaping	-	3,500	(3,500)
Façade enhancement program	6,058	10,000	(3,942)
Way finding/signage	-	1,000	(1,000)
Streetscape elements	21,997	5,000	16,997
Public art	-	52,200	(52,200)
Sidewalk maintenance	64,270	100,024	(35,754)
City permits	-	1,300	(1,300)
Periodic snow removal	-	2,000	(2,000)
Total public way maintenance	92,325	175,524	(83,199)
3.00 - Sustainability and public place			
Garbage and recycling	-	5,000	(5,000)
Total public way aesthetic	-	5,000	(5,000)
4.00 - Economic/busines development			
Site Marketing	20,980	2,600	18,380
Commissions development	1,000	-	1,000
Wi-fi district infrastructure	-	500	(500)
Economic impact study	-	500	(500)
Total district planning services	21,980	3,600	18,380
5.00 - Safety			
Security patrol services	87,197	110,624	(23,427)
Total safety programs	87,197	110,624	(23,427)

CALUMET HEIGHTS AVALON PARK COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2016

	Actual	Budget	Variance
6.00 - Operational and administrative support			
SSA annual report	-	2,000	(2,000)
Audit/bookkeeping	13,378	10,000	3,378
Meeting expense	3,807	5,019	(1,212)
Office rent	11,099	5,400	5,699
Office equipment lease/maintenance	25	3,000	(2,975)
Office supplies	502	1,500	(998)
Office utilities/telephone	12,064	1,000	11,064
Postage	-	1,000	(1,000)
Office printing	-	500	(500)
Subscriptions/dues	-	750	(750)
Banking fees	327	360	(33)
Office equipment purchase/maintenance	-	1,000	(1,000)
Supplies	464	1,000	(536)
Storage fees	1,440	2,000	(560)
Liability/property insurance	-	200	(200)
Total operational and administrative support	43,106	34,729	8,377
7.00 - Personnel			
Executive director and fringe	56,835	66,000	(9,165)
Program manager and fringe	24,828	44,000	(19,172)
Total personnel	81,663	110,000	(28,337)
8.00 - Loss collection			
Loss collection	42,174	25,000	17,174
Total operational and administrative support	42,174	25,000	17,174
Total expenditures	\$ 399,893	549,477	(149,584)
Excess of expenditures over revenues	100,032		
Net assets, January 1, 2016	79,102		
Net assets, December 31, 2016	179,134		

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net increase in net assets	\$ (14,746)	100,032
Adjustments to reconcile increase in net assets to cash used in operating activities:		
Decrease/(increase) in levy receivable	(56,138)	12,369
Increase/(decrease) in accounts payable and other liabilities	(33,383)	1,589
Net cash used in operating activities	(104,267)	113,990
Cash flows provided by investing activities:	-	-
Cash flows provided by financing activities:	-	-
Net increase in cash	(104,267)	113,990
Cash at beginning of the year	128,745	14,755
Cash at end of the year	\$ 24,479	128,745

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, 2017 and 2016

(1) Organization Description

a) Nature of Reporting Entity

Special Service Area #50 is a taxing district authorized by the City of Chicago located in Chicago, Illinois. Its scope of services is to fund various activities to improve and enhance the Southeast Chicago Chamber of Commerce commercial district. The SSA is funded by property taxes levied on properties within the SSA boundaries, which are collected by the Cook County Treasurer, and then distributed by the City of Chicago to the SSA.

Special Service Area #50 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with Southeast Chicago Chamber of Commerce to perform administrative duties as the service provider for this SSA during the reporting period. Southeast Chicago Chamber of Commerce is an Illinois not-for-profit corporation that is exempt from federal income taxes under Section 501c of the Internal Revenue Code.

b) Entity 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.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2017 and 2016

(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.

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, 2017 and 2016, 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, 2017 and 2016, 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.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2017 and 2016

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.

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.

CALUMET HEIGHTS/AVALON PARK COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2017 and 2016

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 \$164,389 and \$179,134 as of December 31, 2017 and 2016, 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, 2017 and 2016

(4) Levy Receivable

Levy receivable consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
City of Chicago	<u>\$ 140,894</u>	<u>\$ 84,756</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, 2017 and 2016, the Commission had loss collections included in the budget in the amounts of \$69,000 and \$25,000 respectively. As of December 31, 2017 and 2016, 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, 2017 and 2016 amounted to \$543,643 and \$499,925, respectively. Of these amounts, \$543,615 (99.99%) and \$499,910(99.99%) for 2017 and 2016, 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, 2017 and 2016, the Commission's management has evaluated subsequent events through May 2, 2018, 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, 2017

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, 2017

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, 2017 and 2016, 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 2, 2018.

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.
Naperville, IL
May 2, 2018