

# Chicago Department of Planning and Development (DPD)

## Special Service Area (SSA) Program

### Audit Report Package Transmittal Checklist

This checklist must be **completed by the SSA's auditing firm** as part of a single PDF audit report package. On the checklist, enter the starting page number within the PDF for each of the audit report package components listed below. Each required component on the checklist must have a numeric page number, unless otherwise noted.

The SSA Service Provider must upload the **PDF package** and corresponding **budget workplan file** to DPD's SharePoint **by May 1st**. Audit packages submitted via e-mail are not acceptable. Audit packages will be deemed "not submitted" unless uploaded to DPD's SharePoint platform.

SSA Name and Number: # 45

SSA Provider Name: Far South CDC

Submission Date: 5/15/2020

Starting PDF Page Number	Audit Report Package Components
	Comparative Financial Statements
6	1. Statement of Net Position and Governmental Fund Balance Sheet - Current Year
6	2. Statement of Net Position and Governmental Fund Balance Sheet - Prior Year
7	3. Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance - Current Year
7	4. Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance - Prior Year
8	5. Statement of Revenues and Expenditures - Budget and Actual
4	Auditor's Opinion on Financial Statements
15	Schedule of Findings - Current and Prior Year, if applicable *
17	Corrective Action Plan - Current and Prior Year, if applicable*
20	Audit Firm CPA License
21	SSA Budget Summary page - used for comparison of actual expenses for current audit period
(Uploaded Separately)	<b>Final Modified or Amended SSA Budget Workplan (Excel file)</b> Date approved by Commission: ___ / ___ / _____
	<b>Note:</b> This budget workplan must correspond to Budget Summary page noted above in audit report package.

\*required if findings exist

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

**FINANCIAL AND COMPLIANCE AUDIT REPORT**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**SPECIAL SERVICE AREA NUMBER 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, 2019 and 2018 (revised), and the revised 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 revised 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 respective financial position of Special Service Area # 45 as of December 31, 2019 and 2018 (revised), and the respective changes in financial position and budgetary comparison for the years 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  
May 15, 2020

SPECIAL SERVICE AREA NUMBER 45  
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018

	DECEMBER 31, 2019			REVISED/REISSUED DECEMBER 31, 2018		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS (NOTE 4-A & 5)	\$ 110,590	\$ -	\$ 110,590	\$ 1,700	\$ -	\$ 1,700
PROPERTY TAX RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTABLE TAXES (NOTE 4-B)	685,592	-	685,592	901,508	-	901,508
<b>TOTAL ASSETS</b>	<b>\$ 796,182</b>	<b>\$ -</b>	<b>\$ 796,182</b>	<b>\$ 903,208</b>	<b>\$ -</b>	<b>\$ 903,208</b>
<b>LIABILITIES</b>						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 105,940	\$ -	\$ 105,940	\$ 20,980	\$ -	\$ 20,980
HEALTH INSURANCE W/H LEASE PAYABLE	4,742	-	4,742	4,742	-	4,742
	-	-	-	1,005	-	1,005
<b>TOTAL LIABILITIES</b>	<b>110,682</b>	<b>-</b>	<b>110,682</b>	<b>26,727</b>	<b>-</b>	<b>26,727</b>
<b>DEFERRED INFLOWS</b>						
DEFERRED PROPERTY TAX REVENUE	632,938	(632,938)	-	901,508	(901,508)	-
<b>FUND BALANCES/NET POSITION (NOTE 4-D)</b>						
NON-SPENDABLE	-	-	-	-	-	-
COMMITTED	-	-	-	-	-	-
UNASSIGNED (DEFICIT)	52,562	(52,562)	-	(25,027)	25,027	-
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b>52,562</b>	<b>(52,562)</b>	<b>-</b>	<b>(25,027)</b>	<b>25,027</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 796,182</b>	<b>\$ (685,500)</b>	<b>\$ 685,500</b>	<b>\$ 903,208</b>	<b>\$ (876,481)</b>	<b>\$ 876,481</b>
<b>NET POSITION (NOTE 4-D)</b>						
RESTRICTED						
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:						
TOTAL FUND BALANCE-GOVERNMENTAL FUNDS	\$ 52,562		\$ 52,562			\$ (25,027)
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.	632,938		632,938			901,508
<b>TOTAL NET POSITION-GOVERNMENTAL ACTIVITIES</b>			<b>\$ 685,500</b>			<b>\$ 876,481</b>

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, 2019 AND 2018

REVISED/REISSUED

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
<b>REVENUES</b>						
PROPERTY TAXES (NOTE 6)	\$ 853,669	\$ (268,570)	\$ 585,099	\$ 467,580	\$ 142,257	\$ 609,837
INTEREST INCOME	66	-	66	37	-	37
<b>TOTAL REVENUE</b>	<b>853,735</b>	<b>(268,570)</b>	<b>585,165</b>	<b>467,617</b>	<b>142,257</b>	<b>609,874</b>
<b>EXPENDITURES/EXPENSES</b>						
CUSTOMER ATTRACTION (NOTE 10)	74,600	-	74,600	9,900	-	9,900
PUBLIC WAY AESTHETICS	147,976	-	147,976	29,614	-	29,614
SUSTAINABILITY & PUBLIC PLACES	-	-	-	-	-	-
ECONOMIC/BUSINESS DEVELOPMENT	-	-	-	116,321	-	116,321
SAFETY PROGRAMS	238,627	-	238,627	-	-	-
SUPPORT SERVICES	178,315	-	178,315	185,246	-	185,246
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>639,518</b>	<b>-</b>	<b>639,518</b>	<b>341,081</b>	<b>-</b>	<b>341,081</b>
<b>TOTAL OF REVENUES OVER (EXPENDITURES)</b>	<b>214,217</b>	<b>(268,570)</b>	<b>(54,353)</b>	<b>126,536</b>	<b>142,257</b>	<b>268,793</b>
<b>CHANGE IN NET POSITION (NOTE 3)</b>	<b>214,217</b>	<b>(268,570)</b>	<b>(268,570)</b>	<b>126,536</b>	<b>142,257</b>	<b>268,793</b>
<b>FUND BALANCE/NET POSITION</b>						
BEGINNING OF THE YEAR	(25,027)	772,411	747,384	38,616	708,768	747,384
OTHER ADJUSTMENTS (NOTE 8)	(350,845)	611,884	261,039	(316,715)	(220,871)	(537,586)
END OF YEAR	\$ 52,562	\$ 847,155	\$ 685,500	\$ (25,027)	\$ 772,411	\$ 747,384
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:						
NET CHANGE IN FUND BALANCE-GOVERNMENTAL FUNDS			214,217			126,536
PROPERTY TAX REVENUE IS RECOGNIZED IN THE PERIOD FOR WHICH LEVIED RATHER THAN WHEN "AVAILABLE" FOR GOVERNMENTAL FUNDS			(268,570)			142,257
			<b>\$ (54,353)</b>			<b>\$ 268,793</b>

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, 2019 AND 2018

	DECEMBER 31, 2019		REVISSED/REISSUED DECEMBER 31, 2018			
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES:</b>						
Property Taxes	\$ 911,535	\$ 853,669	\$ (57,866)	\$ 692,630	\$ 467,580	\$ (225,050)
Interest Income	-	66	66	-	37	37
<b>TOTAL REVENUE</b>	<b>\$ 911,535</b>	<b>\$ 853,735</b>	<b>\$ (57,800)</b>	<b>\$ 692,630</b>	<b>\$ 467,617</b>	<b>\$ (225,013)</b>
<b>EXPENDITURES:</b>						
<b>1.00 Customer Attraction</b>						
1.01 Website/Technology	6,128	53	(6,075)	793	-	(793)
1.02 Special Events	20,000	35,389	15,389	20,000	1,500	(18,500)
1.05 Decorative Banners	30,000	17,116	(12,884)	15,000	-	(15,000)
1.06 Holiday Decorations	22,000	21,735	(265)	15,000	8,400	(6,600)
1.07 Print Materials	-	307	307	8,000	-	(8,000)
Total 1.00 - Customer Attraction	78,128	74,600	(3,528)	58,793	9,900	(48,893)
<b>2.00 Public Way Aesthetics</b>						
2.03 Façade Enhancement Program	230,010	92,852	(137,158)	40,000	-	(40,000)
2.05 Streetscape Elements	67,112	-	(67,112)	-	-	-
2.08 Sidewalk Maintenance-Service Contract	96,000	38,924	(57,076)	109,690	29,614	(80,076)
2.10 City Permits	9,725	-	(9,725)	-	-	-
2.11 Snow Removal	30,000	16,200	(13,800)	8,000	-	(8,000)
Total 2.00 - Public Way Aesthetics	432,847	147,976	(284,871)	157,690	29,614	(128,076)
<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>						
4.01 Site Marketing	-	-	-	-	63,325	63,325
4.06 Impact/Market/Brand Study	-	-	-	-	25,000	25,000
4.09 SSA Designation	-	-	-	35,000	27,996	(7,004)
4.10 Business Technical Assistance	25,000	-	(25,000)	-	-	-
4.11 Neighborhood Opportunity Fund	-	-	-	40,000	-	(40,000)
Total 4.00 - Economic/Business Development	25,000	-	(25,000)	75,000	116,321	41,321
<b>5.00 Safety Programs</b>						
5.02 Safety Improvement Program-Rebates	-	-	-	30,772	-	(30,772)
5.03 Security Patrol Services	157,658	238,627	80,969	252,252	-	(252,252)
Total 5.00 - Safety Programs	157,658	238,627	80,969	283,024	-	(283,024)

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, 2019 AND 2018

	DECEMBER 31, 2019			REVISSED/REISSUED DECEMBER 31, 2018		
	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	3,000	-
6.03 Bookkeeping/Accounting Fees	2,000	600	(1,400)	1,000	1,433	433
6.04 Office Rent	8,000	13,558	5,558	6,000	13,554	7,554
6.05 Office Utilities & Telecommunications	3,000	4,123	1,123	2,500	3,574	1,074
6.06 Office Supplies	-	4,907	4,907	-	1,846	1,846
6.07 Office Equipment-Lease & Maintenance	1,600	139	(1,461)	1,600	868	(732)
6.08 Office Printing	-	-	-	-	-	-
6.09 Postage	1,000	-	(1,000)	1,000	-	(1,000)
6.10 Meeting & Training Expenses	-	-	-	500	-	(500)
6.12 Banking Fees	1,000	216	(784)	1,000	235	(765)
6.12.1 Loan Interest Expense	3,000	6,804	3,804	3,000	6,579	3,579
6.13 Monitoring/Compliance	-	-	-	-	-	-
6.14 Equipment Purchase/Maintenance	-	-	-	-	-	-
6.16 Storage Space Fees	344	-	(344)	344	-	(344)
6.17 Liability & Property Insurance	600	665	65	600	748	148
6.18 Conferences & Training	600	-	(600)	600	-	(600)
Other Legal & Professional Fees	-	-	-	-	-	-
Dues & Subscriptions	-	1,332	1,332	-	2,768	2,768
<b>Total 6.00 - SSA Management &amp; Administration Costs</b>	<b>24,144</b>	<b>35,344</b>	<b>11,200</b>	<b>21,144</b>	<b>34,605</b>	<b>13,461</b>
<b>7.00 Personnel Expenses</b>						
7.01 Personnel Expenses-Executive Director	16,000	16,000	-	8,000	20,000	12,000
7.02 Personnel Expenses-Director of Operations	8,000	-	(8,000)	8,000	20,000	12,000
7.06/7.03 Personnel Expenses-Director of Marketing	16,000	16,000	-	8,000	15,000	7,000
7.04 Personnel Expenses-SSA Program Mngr # 45	61,000	61,000	-	61,000	58,675	(2,325)
7.06/7.03 Personnel Expenses-Administrative Assnt	8,000	8,000	-	8,000	8,000	-
7.03 Personnel Exp-Executive Admin Assnt	5,000	6,167	1,167	-	-	-
7.04 Personnel Expenses-Human Resource	8,000	-	(8,000)	-	-	-
7.05 Personnel Expenses-Director of Finance	16,000	16,000	-	-	-	-
7.11 Personnel Expenses-Taxes & Fringe Ben	55,758	19,804	(35,954)	25,000	28,966	3,966
<b>Total 7.00 - Personnel Expenses</b>	<b>193,758</b>	<b>142,971</b>	<b>(50,787)</b>	<b>118,000</b>	<b>150,641</b>	<b>32,641</b>
<b>8.00 Loss Collection</b>						
8.01 Loss Collection	-	-	-	-	-	-
<b>Total 8.00 - Loss Collection</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>911,535</b>	<b>639,518</b>	<b>(272,017)</b>	<b>713,651</b>	<b>341,081</b>	<b>(372,570)</b>
<b>NET EXCESS OF REVENUES OVER (EXPENSES)</b>	<b>\$ -</b>	<b>\$ 214,217</b>	<b>\$ 214,217</b>	<b>\$ (21,021)</b>	<b>\$ 126,536</b>	<b>\$ 147,557</b>

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

## **SPECIAL SERVICE AREA NUMBER 45**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

#### **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.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

### **Comparative Financial Statements**

Comparative financial statements were presented in full. Prior year amounts were taken from the 2018 revised audit report, issued in Governmental funds financial statement format at April 30, 2019, and revised at May 15, 2020, but not yet reissued 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, 2019 and 2018.

### **B. RECEIVABLES**

All property tax receivables are shown net of allowances. For the years ended, December 31, 2019 and 2018, the allowance is estimated to be 1.1% of the outstanding property taxes. The allowance for uncollectible property taxes were \$7,625 and \$10,027, 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>2019</u>	<u>2018</u>
Property Taxes Receivable	\$ 693,217	\$ 911,535
Less: Allowance for Uncollectible Taxes	<u>(7,625)</u>	<u>(10,027)</u>
Equals Net Property Taxes Receivables	<u>\$ 685,592</u>	<u>\$ 901,508</u>

### **C. PREPAID ITEMS**

The SSA had no prepaid items as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 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.

## **7. RELATED PARTY TRANSACTIONS**

The SSA is affiliated with Far South CDC, which is the service provider for the SSA and pays certain expenses on behalf of the SSA, such as personnel costs, rent and utilities, equipment lease, and line of credit loan and bills the SSA for its portion of the expenses. As of December 31, 2019 and 2018 \$0 and \$0 was payable for services provided.

## **8. OTHER ADJUSTMENTS**

Other adjustments in fund balance/net position are entries made to convert the not for profit accrual basis of accounting, to accrual basis of governmental activities in the Fund Balance were made for the years ended December 31, 2019 and 2018 of \$(350,845) and (\$316,715) (revised), respectively. The same conversion entries from the accrual basis of governmental activities to the modified cash basis resulted in adjustments to Net Position for the years ended December 31, 2019 and 2018 of \$261,039 and (\$537,586), respectively.

These were conversion entries that were made to back out certain expenses and other accruals that were a part of the Far South CDC's financial reporting, and allocated to the SSA, but not reported on the governmental activities statements. These include payments made by Far South for payroll and other expenses, not reimbursed by the SSA in 2019 and 2018 and the SSA's share of payments made on the Notes Payable (Originally the Harris Bank Line of Credit). These adjustments were not related to prior periods, and therefore the financial statements for 2018 were not restated.

**9. DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through May 15, 2020, the date which the financial statements were originally available to be issued.

**10. CUSTOMER ATTRACTION**

The SSA expenses all the Customer Attraction (advertising and promotions) costs in the year it was incurred. For the years ended, December 31, 2019 and 2018 the total marketing and promotions expense (Customer Attraction) was \$74,600 and \$9,900, respectively.

**11. TIF FUNDS ALLOCATION**

For the last five (5) years, SSA 45 funds have been levied by multiple Tax Increment Funds (TIFs) by about 6% to 32% off the top of 2019 and 2018 Property Tax Levies. This means that even though the levy and budget say that they should have received for the years ended December 31, 2019 and 2018, \$911,535 and \$692,630, respectively. The SSA will only receive 94% to 68%, or \$853,669 and \$467,580 for the years ended December 31, 2019 and 2018, respectively.

**SUPPLEMENTAL INFORMATION**

**SPECIAL SERVICE AREA NUMBER 45**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2019**

We (RABM & Associates, LLC) noted certain expenditures for which actual expenses exceeded original budgeted amounts for the following **expense line items**:

1. Interest Income
2. 4.01-Economic/Business Development-Site Marketing
3. 4.06-Economic/Business Development-Impact/Market/Brand Study
4. 6.03-SSA Management & Administration Costs-Bookkeeping/Accounting Fees
5. 6.04-SSA Management & Administration Costs-Office Rent
6. 6.06-SSA Management & Administration Costs-Office Supplies
7. 6.12.1-SSA Management & Administration Costs-Loan Interest Expense
8. 6.17-SSA Management & Administration Costs-Liability & Property Insurance
9. SSA Management & Administration Costs-Dues & Subscriptions
10. 7.01-Personnel Expenses-Executive Director
11. 7.02-Personnel Expenses-Director of Operations
12. 7.03-Personnel Expenses-Director of Marketing
13. 7.11-Personnel Expenses-Taxes & Fringe Benefits

But, auditors did note that the **overall total** actual expenses did not exceed total budgeted expenses for the year ended December 31, 2018.

We (RABM & Associates, LLC) could not obtain the approved budget amendments for the year ended December 31, 2018.

**SPECIAL SERVICE AREA NUMBER 45**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2019**

We (RABM & Associates, LLC) noted certain expenditures for which actual expenses exceeded original budgeted amounts for the following **expense line items**:

1. Interest Income
2. 1.02-Customer Attraction-Special Events
3. 1.07-Customer Attraction-Print Materials
4. 5.03-Safety Programs-Security Patrol Services
5. 6.04-SSA Management & Administration Costs-Office Rent
6. 6.05-SSA Management & Administration Costs-Office Utilities & Telecommunications
7. 6.06-SSA Management & Administration Costs-Office Supplies
8. 6.12.1-SSA Management & Administration Costs-Loan Interest Expense
9. 6.17-SSA Management & Administration Costs-Liability & Property Insurance
10. SSA Management & Administration Costs-Dues & Subscriptions
11. 7.03-Personnel Expenses-Executive Admin Assnt

But, auditors did note that the **overall total** actual expenses did not exceed total budgeted expenses for the year ended December 31, 2019.

We (RABM & Associates, LLC) could not obtain the approved budget amendments for the year ended December 31, 2019.





**Corrective Action Plan for Far South CDC/SPECIAL SERVICE AREA NUMBER 45  
For the Year Ended December 31, 2019**

**Finding 2019-1:**

***Condition***

While dropping the numbers into the Statements of Revenue and Expenses-Budget vs. Actual, we (RABM) noted certain expenditures for which actual expenses exceeded budgeted amounts for the following expense line items:

1. Interest Income
2. 1.02-Customer Attraction-Special Events
3. 1.07-Customer Attraction-Print Materials
4. 5.03-Safety Programs-Security Patrol Services
5. 6.04-SSA Management & Administration Costs-Office Rent
6. 6.05-SSA Management & Administration Costs-Office Utilities & Telecommunications
7. 6.06-SSA Management & Administration Costs-Office Supplies
8. 6.12.1-SSA Management & Administration Costs-Loan Interest Expense
9. 6.17-SSA Management & Administration Costs-Liability & Property Insurance
10. SSA Management & Administration Costs-Dues & Subscriptions
- 11.7.03-Personnel Expenses-Executive Admin Assnt

***Cause***

The Contractor, Far South CDC failed to properly monitor and allocate expenses in accordance with the City of Chicago Department of Housing and Economic Development Special Service Area Guidelines or obtain budget modifications to include the allocation of expenses for the above mentioned line items.

***Response***

The Contractor, Far South CDC will continue to work with their outside accountant and auditor to direct the proper allocation and grouping of expenses going forward to ensure that actual line item expenditures will not exceed budgeted line items per the Special Service Area Audit Guidelines.

## **Finding 2019-2:**

### ***Condition***

While dropping the numbers into the Statements of Revenue and Expenses-Budget vs. Actual, we (RABM) noted that there were significant changes in spending that denoted budget modifications were made. Auditors were unable to obtain these approved budget modifications.

### ***Cause***

The Contractor, Far South CDC failed to obtain and send the budget modifications to the office and to the auditor in accordance with the City of Chicago Department of Housing and Economic Development Special Service Area Guidelines.

### ***Response***

The Contractor, Far South CDC will continue to work with their outside accountant, auditor, and office to obtain the approved budget modifications.

Contact Person: Abraham D. Lacy, Executive Director  
Email: [lacy@farsouthcdc.org](mailto:lacy@farsouthcdc.org)



**RAGLAND, ARNOLD, BUCHANAN,  
MORRIS & ASSOCIATES, LLC**  
Certified Public Accountants and Management Consultants

9457 Enterprise Drive | Mokena, Illinois 60448 | 708-333-0634 | FAX 708-333-6680

**INDEPENDENT AUDITORS' REPORT ON THE  
ADDITIONAL PROCEDURES PERFORMED BY THE AUDITOR WITH REGARDS TO THE SPECIAL  
SERVICE AREA ANNUAL AUDITED FINANCIAL STATEMENT GUIDELINES**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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.

We also reviewed and confirmed that Per Article 5.03, the Contractor established and maintained a separate bank account in Chicago, Illinois and that all service tax funds were automatically deposited into this bank account.

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.

*Ragland, Arnold, Buchanan, Morris & Associates, LLC*

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

Mokena, Illinois  
May 15, 2020

# State of Illinois

## Department of Financial and Professional Regulation Division of Professional Regulation

LICENSE NO.  
066.004868  
065.031551

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:  
11/30/2021

### PUBLIC ACCOUNTANT FIRM LICENSE



RAGLAND, ARNOLD, BUCHANAN, MORRIS & ASSOCIATES, LLC  
9457 ENTERPRISE DR  
MOKENA, IL 60448-8319



*Bryan A. Schneider*

BRYAN A. SCHNEIDER  
SECRETARY

*Jessica Baer*

JESSICA BAER  
DIRECTOR

The official status of this license can be verified at [www.idfpr.com](http://www.idfpr.com)

13454207

# Exhibit A Budget

## Special Service Area # 45

Service Provider Agency: Far South CDC

### 2019 BUDGET SUMMARY

Budget and Services Period: January 1, 2019 through December 31, 2019

CATEGORY	2018 Levy		Carryover Funds	TIF Rebate Fund #	Estimated Late Collections and Interest	Total All Sources
	Collectable Levy	Estimated Loss Collection				
1.00 Customer Attraction	\$53,621	\$10,000	\$5,000	\$2,507	\$7,000	\$78,128
2.00 Public Way Aesthetics	\$329,880	\$43,239	\$24,000	\$0	\$35,728	\$432,847
3.00 Sustainability and Public Places	\$0	\$0	\$0	\$0	\$0	\$0
4.00 Economic/ Business Development	\$25,000	\$0	\$0	\$0	\$0	\$25,000
5.00 Safety Programs	\$126,126	\$0	\$21,021	\$0	\$10,511	\$157,658
6.00 SSA Management	\$24,144	\$0	\$0	\$0	\$0	\$24,144
7.00 Personnel	\$193,758	\$0		\$0	\$0	\$193,758
	<b>Sub-total</b>	<b>\$752,529</b>	<b>\$53,239</b>			
<b>GRAND TOTALS</b>	<b>Levy Total</b>	<b>\$805,768</b>	<b>\$50,021</b>	<b>\$2,507</b>	<b>\$53,239</b>	<b>\$911,535</b>

#### LEVY ANALYSIS

Estimated 2018 EAV:	\$64,487,879
Authorized Tax Rate Cap:	2.000%
Maximum Potential Levy limited by Rate Cap:	\$1,289,758
Requested 2018 Levy Amount:	<b>\$805,768</b>
Estimated Tax Rate to Generate 2017 Levy:	<b>1.2495%</b>

Service Provider Agency:	Far South CDC
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LEVY CHANGE FROM PREVIOUS YEAR	
2017 Levy Total (in 2018 budget)	<b>\$633,858</b>
2018 Levy Total (in 2019 budget)	<b>\$805,768</b>
Percentage Change	<b>27.12%</b>
Community meeting required if levy amount increases greater than 5% from previous levy.	

CARRYOVER CALCULATION	
2018 Budget Total	716,651
2019 Carryover	\$50,021
Percentage	6.9798270009%

LOSS COLLECTION CALCULATION		EXPLANATION REQUIRED IF AMOUNT VARIES FROM ACTUAL IN 2017
Actual amount of Levy not collected in 2017	Amount Proposed for 2019	
\$53,239	\$53,239	
This figure will be provided by DPD and entered by Service Provider		

LATE COLLECTIONS AND INTEREST CALCULATION (includes refunds to County)		EXPLANATION REQUIRED IF AMOUNT VARIES FROM LOSS COLLECTION FIGURE
	Amount Proposed for 2019	
\$53,239	\$53,239	
This figure will be provided by DPD and entered by Service Provider		

Service Provider Agency:	Far South CDC
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**2018 BUDGET & SERVICES - SIGNATURE PAGE**

Budget and Services Period: January 1, 2019 through December 31, 2019

The 2019 Budget & Services were approved by the SSA Commission.

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SSA Chairperson Signature

Printed Name

Date