

DRAFT

Calumet Heights/Avalon Commission

SSA #50

Financial Statements

Years ended December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

CALUMET HEIGHTS/AVALON COMMISSION SSA #50

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Independent Auditors' Report

The Board of Directors
Southeast Chicago Chamber of Commerce and Calumet Heights/Avalon Commission SSA #50:

We have audited the accompanying financial statements of the Calumet Heights/Avalon Commission SSA #50 (the Commission), which comprise the statements of financial position as of December 31, 2014 and 2013, 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 financial position of Calumet Heights/Avalon Commission SSA #50 as of December 31, 2014 and 2013, 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 2014 and 2013 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 June 12, 2015, 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.
Flossmoor, IL
June 12, 2015

PART I - FINANCIAL

CALUMET HEIGHTS AVALON COMMISSION SSA # 50

Statement of Financial Position

Years ended December 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash	\$ 3,441	18,790
Levy receivables (note 5)	84,237	99,807
Total assets	\$ 87,678	118,597
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 10,129	3,975
Advance from Southeast Chamber	20,750	-
Net assets:		
Unrestricted	56,799	114,622
Total liabilities and net assets	\$ 87,678	118,597

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

CALUMET HEIGHTS AVALON 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	6,500	1,500	5,000
Property owners tenant relations	336	-	336
Service provider direct services	-	-	-
Total tenant retention/attraction	6,836	3,000	3,836
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 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	-	10,000	(10,000)
Service provider direct services	-	1,500	(1,500)
Total district planning services	-	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	9,500	14,000	(4,500)
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	1,576	500	1,076
Office utilities/telephone	12,489	1,500	10,989
Postage	265	2,000	(1,735)
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	-
Service provider administrative support	88,920	80,425	8,495
Total operational and administrative support	184,734	180,785	43,949
Total expenditures	\$ 557,204	697,985	(90,781)
Excess of expenditures over revenues	(57,823)		
Net assets, January 1, 2014	114,622		
Net assets, December 31, 2014	56,799		

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

CALUMET HEIGHTS AVALON COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2013

	Actual	Budget	Variance
Revenues:			
Tax levy revenue (note 4)	\$ 499,360	780,985	(281,625)
Miscellaneous revenue	-	-	-
Interest revenue	16	-	16
Total revenues	499,376	780,985	(281,609)
Expenditures:			
Advertising and promotion services			
Website and/or social media	7,695	6,000	1,695
Public/media relations services	26,135	4,000	22,135
Special events	81,390	35,000	46,390
Display advertising	11,579	8,000	3,579
Print materials	5,824	5,000	824
Service provider direct services	100	-	100
Total advertising and promotion services	132,723	58,000	74,723
Public way maintenance			
Sidewalk cleaning	53,605	130,000	(76,395)
Snow removal	11,976	12,000	(24)
Sidewalk power washing	-	-	-
Acid etching removal and/or prevention	-	-	-
Service provider direct services	88,349	-	88,349
Total public way maintenance	153,930	142,000	11,930
Public way aesthetic			
Streetscape elements purchase	8,850	55,000	(46,150)
Decorative banners/holiday decorations	23,475	30,000	(6,525)
Wayfinding/signage	-	25,000	(25,000)
Public art	-	50,000	(50,000)
Landscaping (plants, watering, etc.)	2,097	15,000	(12,903)
Storage fees	-	2,000	(2,000)
Liability/property insurance	-	200	(200)
Supplies and equipment	-	1,000	(1,000)
Service provider direct services	1,600	-	1,600
Total public way aesthetic	36,022	178,200	(142,178)
Tenant retention/attraction			
Data collection	5,458	5,000	458
Site marketing materials	4,700	5,000	(300)
Property owners tenant relations	2,012	-	2,012
Service provider direct services	-	-	-
Total tenant retention/attraction	12,170	10,000	2,170
Façade improvements			
Façade enhancements program - rebates	5,000	20,000	(15,000)
Awning program - rebates	-	15,000	(15,000)
Signage removal program - rebates	-	10,000	(10,000)
Program costs (applications, etc.)	-	500	(500)
Service provider direct services	-	-	-
Total façade improvements	5,000	45,500	(40,500)

CALUMET HEIGHTS AVALON COMMISSION SSA # 50

Statement of Activities: Budget and Actual

Year ended December 31, 2013

	Actual	Budget	Variance
Parking/transit/accessibility			
Bicycle transit enhancements	-	8,000	(8,000)
Public transit enhancements	-	5,000	(5,000)
Service provider direct services	32	-	32
Total parking/transit/accessibility	32	13,000	(12,968)
Safety programs			
Public way surveillance cameras/maintenance	-	10,000	(10,000)
Security services	210,768	165,000	45,768
Service provider direct services	8,706	-	8,706
Total safety programs	219,474	175,000	44,474
District planning			
Commission development	3,018	-	3,018
Service provider direct services	-	1,500	(1,500)
Total district planning services	3,018	1,500	(1,500)
Other technical assistance			
Wifi district infrastructure/maintenance	1,398	10,000	(8,602)
Total other technical assistance	1,398	10,000	(8,602)
Operational and administrative support			
Audit/bookkeeping	4,877	11,000	(6,123)
Meeting expense	3,067	2,500	567
Office rent	4,927	4,800	127
Office equipment lease/maintenance	2,645	1,500	1,145
Office supplies	2,349	500	1,849
Office utilities/telephone	8,966	1,500	7,466
Postage	290	2,000	(1,710)
Office printing/annual report	52	3,500	(3,448)
Subscriptions/dues	-	500	(500)
Banking fees	630	360	270
Loss collection	21,862	40,000	(18,138)
Service provider administrative support	100,245	79,625	20,620
Total operational and administrative support	149,910	147,785	2,125
Total expenditures	\$ 713,677	780,985	(70,326)
Excess of expenditures over revenues	(214,301)		
Net assets, January 1, 2013	328,923		
Net assets, December 31, 2013	114,622		

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

CALUMET HEIGHTS AVALON COMMISSION SSA # 50

Statement of Cash Flows

Years ended December 31, 2014 and 2013

Cash flows from operating activities:		
Net decrease in net assets	\$ (57,823)	(214,301)
Adjustments to reconcile increase in net assets to cash used in operating activities:		
(Decrease) Increase in levy receivable	15,570	(28,792)
Increase (Decrease) in accounts payable and other liabilities	26,904	(1,256)
Net cash used in operating activities	(15,349)	(244,349)
Cash flows provided by investing activities:	-	-
Cash flows provided by financing activities:	-	-
Net decrease in cash	(15,349)	(244,349)
Cash at beginning of the year	18,790	263,139
Cash at end of the year	\$ 3,441	18,790

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

COMMERCIAL AVENUE COMMISSION SSA #5

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(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.

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.

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

CALUMET HEIGHTS/AVALON COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

December 31, 2014 and 2013, 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, 2014 and 2013, 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 COMMISSION SSA #50

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

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 \$56,799 and \$114,622 as of December 31, 2014 and 2013, 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 from 87th on the north to 93rd on the south along South Calumet Heights/Avalon; 91st frontage, from Exchange Avenue on the west to Houston Avenue on the east; and 92nd frontage, from Exchange Avenue on the west to Harbor on the east. 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 SSA #50

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

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. The Commission is funded annually by a special tax assessment. 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.

(4) Levy Receivable

Levy receivable consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
City of Chicago	<u>\$ 84,237</u>	<u>\$ 99,807</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, 2014 and 2013, the Commission had loss collections included in the budget in the amounts of \$30,000 and \$21,682 respectively. As of December 31, 2014 and 2013, the Commission deemed \$0 to be uncollectible for each year, respectively.

CALUMET HEIGHTS/AVALON COMMISSION SSA #50

Service Provider Agreement Compliance

Summary Schedule of Audit Findings

Year ended December 31, 2014

There were no current year findings.

CALUMET HEIGHTS/AVALON COMMISSION SSA #50

Service Provider Agreement Compliance

Summary Schedule of Prior Audit Findings

Year ended December 31, 2014

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 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 Commission (the Commission), which comprise the statement of financial position as of and for the years ended December 31, 2014 and 2013, 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 June 12, 2015.

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.
Flossmoor, IL
June 12, 2015