

CHATHAM COTTAGE GROVE
SPECIAL SERVICE AREA NUMBER 51
(Chatham Business Association Small Business
Development, Inc., Contractor)
Financial Statements and
Supplemental Information
For the Year Ended December 31, 2014

CHATHAM COTTAGE GROVE
SPECIAL SERVICE AREA NUMBER 51
(Chatham Business Association Small Business
Development, Inc., Contractor)

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CARY J. HALL
& ASSOCIATES, LLC
Certified Public Accountants and Consultants

Board of Directors

Chatham Cottage Grove Special Service Area Number 51

Chatham Business Association Small Business Development, Inc., Contractor

Chicago, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **CHATHAM COTTAGE GROVE SPECIAL SPECIAL SERVICE AREA NUMBER 51** (a taxing district authorized by the City of Chicago) , which comprise the statement of net position and governmental funds balance sheet of December 31, 2014, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, and statement of revenues and expenditures - budget and actual, for the year 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 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 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51** as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cary J Hall & Associates, LLC

April 23, 2015
Chicago, Illinois

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

(Chatham Business Association Small Business Development, Inc., Contractor)

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2014

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 59,667	\$ -	\$ 59,667
Real estate taxes receivable, less allowance for uncollectible taxes of \$234,789	1,213,196	-	1,213,196
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,272,863</u>	<u>\$ -</u>	<u>\$ 1,272,863</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 3,803	\$ -	\$ 3,803
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>3,803</u>	<u>-</u>	<u>3,803</u>
DEFERRED INFLOWS			
Deferred property tax revenue	840,166	(840,166)	840,166
FUND BALANCE/NET POSITION			
Unassigned	<u>(411,272)</u>	<u>411,272</u>	
Total Fund Balance	<u>(411,272)</u>	<u>411,272</u>	
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 432,697</u>		
Net Position - Unrestricted		<u>\$ 428,894</u>	<u>\$ 428,894</u>
Total fund balance - governmental funds			\$ (411,272)
Property tax revenue is recognized in the period it is levied rather than when "available"			
A portion of the property tax is deferred as it is not available in the governmental funds			840,166
Total Net Position			<u>\$ 428,894</u>

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

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

(Chatham Business Association Small Business Development, Inc., Contractor)

Statement of Activities and Governmental Funds, Revenues, Expenditures

and Changes in Fund Balance

For the Year Ended December 31, 2014

REVENUES	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Property Taxes	\$ 801,167	\$ -	\$ 801,167
Total Revenues	<u>801,167</u>	<u>-</u>	<u>801,167</u>
 EXPENDITURES/EXPENSES			
Program Services:			
Advertising and Promotion	69,521	-	69,521
Public Way Maintenance	46,603	-	46,603
Public Way Aesthetics	90,806	-	90,806
Tenant Retention / Attraction	20,633	-	20,633
Façade Improvements	33,324	-	33,324
Safety Programs	329,511	-	329,511
District Planning	753	-	753
Operational Program Support	388,087	-	388,087
Administration:			
Management and General	49,899	-	49,899
Total Expenditures/ Expenses	<u>\$ 1,029,137</u>	<u>\$ -</u>	<u>\$ 1,029,137</u>
Excess of Expenses Over Revenues	(227,970)	227,970	
Change in Net Position		(227,970)	(227,970)
 FUND BALANCE/NET POSITION			
Beginning of Year	<u>(183,302)</u>	<u>840,166</u>	<u>656,864</u>
End of year	<u>\$ (411,272)</u>	<u>\$ 840,166</u>	<u>\$ 428,894</u>

Amount reported for governmental activities in the statement of net position are different because:

Net change in fund balance - governmental funds	\$ (227,970)
Property tax revenue is recognized in the year it is available rather than when it is levied for governmental funds	-
Net change in net position - governmental funds	<u>\$ (227,970)</u>

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

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

(Chatham Business Association Small Business Development, Inc., Contractor)

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Year Ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUES			
Real estate taxes - current period	\$ 863,282	\$ 915,440	\$ (52,158)
Real estate taxes - prior period	1,544		1,544
Real estate taxes - carryover	-	204,320	(204,320)
Interest and other income	8	-	8
	<u>864,834</u>	<u>1,119,760</u>	<u>(254,926)</u>
EXPENDITURES			
Advertising and Promotion			
Website / Social Media	35,242	5,000	30,242
Public and/or media relations	-	20,000	(20,000)
Special events	28,178	65,000	(36,822)
Display advertising	1,101	20,000	(18,899)
Print materials	5,000	10,000	(5,000)
	<u>69,521</u>	<u>120,000</u>	<u>(50,479)</u>
Public Way Maintenance			
Sidewalk snow plowing	35,113	-	35,113
Sidewalk power washing	75	24,000	(23,925)
Equipment purchase and maintenance	-	20,000	(20,000)
Supplies	4,706	9,000	(4,294)
Storage fees	1,864	4,320	(2,456)
Trash removal service and dumpster rental	4,845	4,000	845
	<u>46,603</u>	<u>61,320</u>	<u>(14,717)</u>
Public Way Aesthetics			
Streetscape elements purchase	2,500	20,000	(17,500)
Decorative banners and / or holiday decorations	88,306	20,000	68,306
Landscaping	-	9,000	(9,000)
	<u>90,806</u>	<u>49,000</u>	<u>41,806</u>

See independent auditor's report and notes to financial statements.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51
 (Chatham Business Association Small Business Development, Inc., Contractor)
 Comparison Schedules of Actual Revenues and Expenses to Budget

For the Year Ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Tenant Retention / Attraction			
Data collection	-	3,000	(3,000)
Site marketing materials	20,633	4,000	16,633
Total Tenant Retention / Attraction	20,633	7,000	13,633
Façade Improvements			
Façade enhancement program - rebates	10,834	30,000	(19,166)
Awning rebate program	15,052	-	15,052
Signage removal program - rebates	7,438	15,000	(7,562)
Total Façade Improvements	33,324	45,000	(11,676)
Safety Programs			
Public way surveillance cameras / maintenance	-	50,000	(50,000)
Security	329,511	150,000	179,511
Total Safety Programs	329,511	200,000	129,511
District Planning			
Commission development	753	1,500	(747)
Total District Planning	753	1,500	(747)
Other Technical Assistance			
Wi-Fi district infrastructure/maintenance	-	25,000	(25,000)
Total Other Technical Assistance	-	25,000	(25,000)
Personal			
Program personal cost allocation	388,087	507,401	(119,314)
Total Personal cost allocation	388,087	507,401	(119,314)

See independent auditor's report and notes to financial statements.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

(Chatham Business Association Small Business Development, Inc., Contractor)

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Year Ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operational & Administrative Support			
SSA annual report	25	5,000	(4,975)
Audit/ Bookkeeping	16,400	15,600	800
Office rent	6,000	6,000	-
Office utilities	4,500	4,500	-
Office supplies	2,602	2,500	102
Office Equipment Lease / Maintenance	7,400	6,000	1,400
Office printing	3,000	3,000	-
Postage	3,161	2,500	661
Meeting Expense	240	1,000	(760)
Subscriptions/Dues	304	300	4
Banking fees and interest	1,867	1,200	667
Monitoring and compliance	-	1,600	(1,600)
Liability insurance	4,400	4,400	-
	<hr/>	<hr/>	<hr/>
Total Operational & Administrative Support	49,899	53,600	(3,701)
Loss Collection	<hr/>	<hr/>	<hr/>
	63,667	49,939	13,728
	<hr/>	<hr/>	<hr/>
Total Expenses	1,092,804	1,119,760	(26,956)
	<hr/>	<hr/>	<hr/>
Excess of Expenditures over Revenues	<u>\$ (227,970)</u>	<u>\$ -</u>	<u>\$ (227,970)</u>

See independent auditor's report and notes to financial statements.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51
(Chatham Business Association Small Business Development, Inc., Contractor)
Notes to Financial Statements

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - In an agreement made effective for calendar year January 1, 2011 the City Council of the City of Chicago passed an ordinance authorizing the establishment of Special Service Area ("SSA") Number 51. The City authorizes a Special Service Area Commission (the Commissioners) to preside over SSA approved annual activities. The annual activities are funded with a tax levy upon taxable properties within a designated area of the Chatham community.

The tax levy is in addition to all other property taxes. Tax levied are billed, collected, and remitted by the City to the Special Service Area. Any unused tax levy for approved activities can be used by the Special Service Area in the succeeding year with City Approval. The tax levy order is for 10 years beginning with tax year 2010. These funds are temporarily restricted for approved annual activities.

SSA #51 is administered by Chatham Business Association Small Business Development, Inc., and currently provides funds for Maintenance and Beautification, Debris and Snow Removal; Façade Enhancement; Economic Development; Marketing and Safety and will afford the opportunity for various promotional events in Chatham and its surrounding communities.

Government-Wide and Fund Financial Statements - The financial statements of the SSA 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 Positions 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 fund's current financial resources measurement, are prepared on the modified accrual basis.

The SSA accounts for its activities in one fund, its general fund.

Income Tax Status - The Organization is exempt from federal income tax under Section 501 (c) (6) of the Internal Revenue Code.

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.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51
(Chatham Business Association Small Business Development, Inc., Contractor)
Notes to Financial Statements

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The governmental fund financial statements are prepared on the modified accrual basis of accounting, with only current assets and liabilities 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.

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 categories.

When both restricted and unrestricted fund balances are available for use, it is the SSA's policy to use restricted fund balances first, then unrestricted fund balances. 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 assets 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.

Special Service Area Agreement - The City of Chicago has established a special service area known and designated as "Special Service Area Number 10" to provide special services in addition to those services generally provided by the City. Chatham Business Association Small Business Development, Inc. has been designated as "Contractor" under terms of the agreement. The City has authorized a levy not to exceed 2.5% of the equalized assessed value of all property within the area to produce sufficient revenues to provide those special services.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51
(Chatham Business Association Small Business Development, Inc., Contractor)

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables - All property tax receivables are shown net of allowances. As of December 31, 2014, the allowance is estimated to be 19% of the outstanding property taxes.

Cash and Cash Equivalents - Cash and cash equivalents is defined as short-term liquid investments such as cash in banks, money markets and other financial instruments that can be reduced to cash in thirty days or less. The Organization maintains its cash in bank accounts, which, at times, may exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization has established a separate checking account and all tax revenue funds are automatically deposited into this checking account. The Contractor did not commingle Service Tax funds with funds from any other source.

Date of Management's Review - Management has evaluated subsequent events through April 22, 2015, the date on which the financial statements were available to be issued.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Organization is an affiliate of the Chatham Business Association Small Business Development, Inc. The Organization contracts with the Chatham Business Association as sole service provider in order to administer and provide direct services on behalf of the Organization.

Total expenses charged to the Organization for service related fees totaled \$437,986 for the year ended December 31, 2014.

NOTE 3 - CONCENTRATIONS

The Organization maintains its cash balances at a high quality financial institution. Balances at times may exceed federally insured credit limits.

The Special Service Area receives 100% of its operating support from revenues collected from taxes levied or imposed upon property within the area.

NOTE 4 - PROPERTY TAXES

Property taxes become an enforceable lien on real property on January 1 of the year it is levied. Taxes are payable in two installments in the subsequent year. The first installment is an estimate based on the year billed levy (55%) and is due in March. The second installment is due on August 1, or 30 days from the mailing of the tax bills if issued later than July 1. 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 remits the monies to the SSA.

ADDITIONAL INFORMATION



CARY J. HALL
& ASSOCIATES, LLC
Certified Public Accountants and Consultants

Board of Directors
Chatham Cottage Grove Special Service Area Number 51
Chatham Business Association Small Business Development, Inc., Contractor
Chicago, Illinois

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

We have audited the financial statements of **CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51** (a taxing district authorized by the City of Chicago) as of and for the year ended December 31, 2014, and have issued our report thereon dated April 23, 2015 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The summary schedule of findings is presented for the purposes of additional analysis and is 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cary J. Hall & associates, LLC

April 23, 2015
Chicago, Illinois

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

(Chatham Business Association Small Business Development, Inc., Contractor)

Summary Schedule of Findings

For the Year Ended December 31, 2014

We have read the requirements of the Service Provider Agreement between The Chatham Business Association Small Business Development, Inc., Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters which we had no knowledge.

SIGNIFICANT ASSUMPTIONS

Current Year Levy	\$	840,166
Uncollected balance in prior year levies	\$	183,193
Prior year deferred revenue was	\$	840,166

Allowance is approximately 19% of the receivable in loss collection.

See independent auditor's report on additional information.