

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

**FINANCIAL AND COMPLIANCE AUDIT REPORT**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**SPECIAL SERVICE AREA NUMBER 45**

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

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## INDEPENDENT AUDITORS' REPORT

Board of Directors of Far South CDC - Contractor  
Commissioners of Special Service Area #45  
Chicago, Illinois

We have audited the accompanying financial statements of Special Service Area # 45 (a taxing district authorized by the City of Chicago), which comprise the statements of net position and governmental funds balance sheets as of December 31, 2018 and 2017, and the related 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 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, 2018 and 2017, 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.

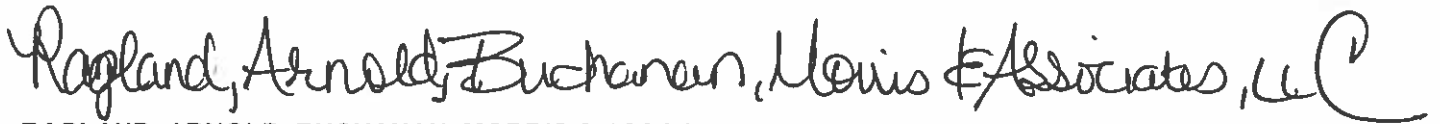
***Correction of Error***

As discussed in Note 8 to the financial statements, management had to make certain adjustments to convert from GAAP basis financial statements to the accrual basis of governmental activities and modified cash basis in the Statement of Net Position. Due to these adjustments the financial statements has **Not** been restated and are adjustments made to current year's fund balance/net position. Our opinion is not modified with respect to that matter.

***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**  
**Certified Public Accountants**

Mokena, Illinois  
April 30, 2019

SPECIAL SERVICE AREA NUMBER 45  
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017

	DECEMBER 31, 2018			DECEMBER 31, 2017		
	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)	\$ 1,700	\$ -	\$ 1,700	\$ 57,612	\$ -	\$ 57,612
PROPERTY TAX RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTABLE TAXES (NOTE 4-B)	901,508	-	901,508	708,768	-	708,768
DUE TO FAR SOUTH CDC (NOTE 7)	105,010	-	105,010	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,008,218</b>	<b>\$ -</b>	<b>\$ 1,008,218</b>	<b>\$ 766,380</b>	<b>\$ -</b>	<b>\$ 766,380</b>
<b>LIABILITIES</b>						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 20,980	\$ -	\$ 20,980	\$ 18,996	\$ -	\$ 18,996
HEALTH INSURANCE W/H LEASE PAYABLE	4,742	-	4,742	-	-	-
	1,005	-	1,005	-	-	-
<b>TOTAL LIABILITIES</b>	<b>26,727</b>	<b>-</b>	<b>26,727</b>	<b>18,996</b>	<b>-</b>	<b>18,996</b>
<b>DEFERRED INFLOWS</b>						
DEFERRED PROPERTY TAX REVENUE	901,508	(901,508)	-	708,768	(708,768)	-
<b>FUND BALANCES/NET POSITION (NOTE 4-D)</b>						
NON-SPENDABLE COMMITTED UNASSIGNED	79,983	(79,983)	-	38,616	(38,616)	-
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b>79,983</b>	<b>(79,983)</b>	<b>-</b>	<b>38,616</b>	<b>(38,616)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 1,008,218</b>	<b>\$ (981,491)</b>	<b>\$ 981,491</b>	<b>\$ 766,380</b>	<b>\$ (747,384)</b>	<b>\$ 747,384</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			\$ 79,983			\$ 38,616
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.			901,508			708,768
<b>TOTAL NET POSITION-GOVERNMENTAL ACTIVITIES</b>			<b>\$ 981,491</b>			<b>\$ 747,384</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, 2018 AND 2017

	DECEMBER 31, 2018		DECEMBER 31, 2017			
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
<b>REVENUES</b>						
PROPERTY TAXES (NOTE 6)	\$ 467,580	\$ 142,257	\$ 609,837	\$ 479,739	\$ 154,119	\$ 633,858
INTEREST INCOME	37	-	37	13	-	13
<b>TOTAL REVENUE</b>	<u>467,617</u>	<u>142,257</u>	<u>609,874</u>	<u>479,752</u>	<u>154,119</u>	<u>633,871</u>
<b>EXPENDITURES/EXPENSES</b>						
CUSTOMER ATTRACTION (NOTE 11)	9,900	-	9,900	21,571	-	21,571
PUBLIC WAY AESTHETICS	29,614	-	29,614	47,704	-	47,704
SUSTAINABILITY & PUBLIC PLACES	-	-	-	-	-	-
ECONOMIC/BUSINESS DEVELOPMENT	116,321	-	116,321	-	-	-
SAFETY PROGRAMS	-	-	-	106,070	-	106,070
SUPPORT SERVICES	185,246	-	185,246	154,885	-	154,885
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>341,081</u>	<u>-</u>	<u>341,081</u>	<u>330,230</u>	<u>-</u>	<u>330,230</u>
<b>TOTAL OF REVENUES OVER (EXPENDITURES)</b>	126,536	-	126,536	149,522	-	149,522
<b>CHANGE IN NET POSITION (NOTE 3-D)</b>	-	268,793	268,793	-	303,641	303,641
<b>FUND BALANCE/NET POSITION</b>						
BEGINNING OF THE YEAR	38,616	708,768	747,384	(76,939)	729,177	652,238
PRIOR PERIOD ADJUSTMENT	(85,169)	(76,053)	(161,222)	(33,967)	(324,050)	(358,017)
<b>END OF YEAR</b>	<u>\$ 79,983</u>	<u>\$ 901,508</u>	<u>\$ 981,491</u>	<u>\$ 38,616</u>	<u>\$ 708,768</u>	<u>\$ 747,384</u>
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:						
NET CHANGE IN FUND BALANCE-GOVERNMENTAL FUNDS	126,536	-	126,536	-	-	149,522
PROPERTY TAX REVENUE IS RECOGNIZED IN THE PERIOD FOR WHICH LEVIED RATHER THAN WHEN "AVAILABLE" FOR GOVERNMENTAL FUNDS	-	-	142,257	-	-	154,119
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	<u>268,793</u>	<u>268,793</u>	<u>268,793</u>	<u>303,641</u>	<u>303,641</u>	<u>303,641</u>

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

SPECIAL SERVICES AREA NUMBER 45  
STATEMENTS OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	DECEMBER 31, 2018		DECEMBER 31, 2017			
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>						
Property Taxes	\$ 692,630	\$ 467,580	\$ (225,050)	\$ 743,438	\$ 478,739	\$ (263,699)
Interest Income	-	37	37	-	13	13
<b>TOTAL REVENUE</b>	<b>\$ 692,630</b>	<b>\$ 467,617</b>	<b>\$ (225,013)</b>	<b>\$ 743,438</b>	<b>\$ 479,752</b>	<b>\$ (263,686)</b>
<b>EXPENDITURES:</b>						
<b>1.00 Customer Attraction</b>						
1.01 Website/Technology	793	-	(793)	300	-	(300)
1.02 Special Events	20,000	1,500	(18,500)	40,000	13,000	(27,000)
1.05 Decorative Banners	15,000	-	(15,000)	12,000	8,400	(3,600)
1.06 Holiday Decorations	15,000	8,400	(6,600)	6,000	-	(6,000)
1.07 Print Materials	8,000	-	(8,000)	7,500	171	(7,329)
Total 1.00 - Advertising & Promotion	58,793	9,900	(48,893)	65,800	21,571	(44,229)
<b>2.00 Public Way Aesthetics</b>						
2.03 Façade Enhancement Program	40,000	-	(40,000)	40,000	-	(40,000)
2.05 Streetscape Elements	-	-	-	68,901	-	(68,901)
2.07 Sidewalk Maintenance	109,690	29,614	(80,076)	109,690	45,704	(63,986)
2.08 City Permits	-	-	-	-	-	-
2.09 Snow Removal	8,000	-	(8,000)	10,000	2,000	(8,000)
Total 2.00 - Public Way Aesthetics	157,690	29,614	(128,076)	228,591	47,704	(180,887)
<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)	-	-	-
4.11 Neighborhood Opportunity Fund	40,000	-	(40,000)	-	-	-
Total 4.00 - Economic/Business Development	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	252,252	-	(252,252)	273,016	106,070	(166,946)
Total 5.00 - Safety Programs	283,024	-	(283,024)	273,016	106,070	(166,946)

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, 2018 AND 2017

	DECEMBER 31, 2018			DECEMBER 31, 2017		
	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	1,000	1,433	433	2,000	1,075	(925)
6.04 Office Rent	6,000	13,554	7,554	6,000	8,000	2,000
6.05 Office Utilities & Telecommunications	2,500	3,574	1,074	1,000	3,681	2,681
6.06 Office Supplies	-	1,846	1,846	1,500	1,191	(309)
6.07 Office Equipment-Lease & Maintenance	1,600	868	(732)	1,500	-	(1,500)
6.08 Office Printing	-	-	-	1,000	-	(1,000)
6.09 Postage	1,000	-	(1,000)	1,200	-	(1,200)
6.10 Meeting & Training Expenses	500	-	(500)	500	-	(500)
6.12 Banking Fees	1,000	235	(765)	1,000	140	(860)
6.12.1 Loan Interest Expense	3,000	6,579	3,579	3,000	3,329	329
6.13 Monitoring/Compliance	-	-	-	250	-	(250)
6.14 Equipment Purchase/Maintenance	-	-	-	2,500	123	(2,377)
6.16 Storage Space Fees	344	-	(344)	-	-	-
6.17 Liability & Property Insurance	600	748	148	-	1,247	1,247
6.18 Conferences & Training	600	-	(600)	-	-	-
Other Legal & Professional Fees	-	-	-	-	2,118	2,118
Dues & Subscriptions	-	2,768	2,768	-	1,218	1,218
Total 6.00 - SSA Management & Administration Costs	21,144	34,605	13,461	24,450	25,122	672
7.00 Personnel Expenses						
7.01 Personnel Expenses-Executive Director	8,000	20,000	12,000	20,000	12,417	(7,583)
7.02 Personnel Expenses-Director of Operations	8,000	20,000	12,000	18,000	17,334	(666)
7.03 Personnel Expenses-Director of Marketing	8,000	15,000	7,000	18,000	5,833	(12,167)
7.04 Personnel Expenses-SSA Program Mngr	61,000	58,675	(2,325)	60,641	58,675	(1,966)
7.06 Personnel Expenses-Administrative Assnt	8,000	8,000	-	10,000	14,539	4,539
7.11 Personnel Expenses-Taxes & Fringe Ben	25,000	28,966	3,966	24,940	20,965	(3,975)
Total 7.00 - Personnel Expenses	118,000	150,641	32,641	151,581	129,763	(21,818)
8.00 Loss Collection						
8.01 Loss Collection	-	-	-	-	-	-
Total 8.00 - Loss Collection	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	713,651	341,081	(372,570)	743,438	330,230	(413,208)
<b>NET EXCESS OF REVENUES OVER (EXPENSES)</b>	\$ (21,021)	\$ 126,536	\$ 147,557	\$ -	\$ 149,522	\$ 149,522

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



**SPECIAL SERVICE AREA NUMBER 45**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**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 2017 audit report, issued in Governmental funds financial statement format at April 30, 2018, 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, 2018 and 2017.

**B. RECEIVABLES**

All property tax receivables are shown net of allowances. For the years ended, December 31, 2018 and 2017, the allowance is estimated to be 1.1% of the outstanding property taxes. The allowance for uncollectible property taxes were \$10,027 and \$7,883, 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>2018</u>	<u>2017</u>
Property Taxes Receivable	\$ 911,535	\$ 716,651
Less: Allowance for Uncollectible Taxes	<u>(10,027)</u>	<u>(7,883)</u>
Equals Net Property Taxes Receivables	<u>\$ 901,508</u>	<u>\$ 708,768</u>

**C. PREPAID ITEMS**

The SSA had no prepaid items as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017 \$105,010 and \$0 was payable for services provided. The balance resulted from the time lag that 1) goods and services are being provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments are being made.

#### **8. PRIOR PERIOD ADJUSTMENTS**

Conversion entries from the not for profit accrual basis to accrual basis of governmental activities in the Fund Balance were made for the years ended December 31, 2018 and 2017 of (\$85,169) and (\$33,967), 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, 2018 and 2017 of (\$161,222) and (\$358,017), 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. These adjustments were not related to prior periods, and therefore the financial statements for 2017 were not restated.

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

Management has evaluated subsequent events through April 30, 2019, the date which the financial statements were originally available to be issued.

**10. RETIREMENT PLAN**

Far South CDC has a 403(b) retirement plan, which employees can elect to make salary deferrals into a ROTH or a traditional tax deferred plan, which is available to all employees who have attained certain service requirements. Contributions made to the plan are entrusted to an investment company which provides investment consultation and administration. Contributions made to the plan, including employee and employer contributions, employer contributions are limited to 5% of compensation and are subject to discrimination requirements. The employer contributions for the calendar years ended December 31, 2018 and 2017 were \$0 and \$0 respectively. The Organization did not make any matching contributions for years ended December 31, 2018 and 2017 respectively.

**11. ADVERTISING & PROMOTIONS**

Far South CDC expenses all the advertising and promotions costs in the year it was incurred. For the years ended, December 31, 2018 and 2017 the total marketing and promotions expense (Customer Attraction) was \$9,900 and \$21,571, respectively.

**NOTE B - COMMITMENTS AND CONTINGENCIES**

**1. LEASE COMMITMENT**

Far South CDC entered into a lease agreement with Halsted Renaissance Properties, Inc. on June 1, 2011 to lease approximately 1,000 square feet of commercial space located at 9929 S. Halsted Street, Chicago, Illinois. Far South CDC leases the office space for \$1,600 per month during the first year with rental adjustment occurring each year thereafter. The lease term is for a three (3) year period beginning June 1, 2011 and ending May 31, 2014. For the term June 1, 2012 to May 31, 2013, the lease was increased by \$200 per month for a revised monthly rent of \$1,800. For the term June 1, 2013 to May 31, 2014, the lease was increased by \$200 per month for a revised monthly rent of \$2,000. For the seven (7) months from June 1, 2014 through December 31, 2014, Halsted Renaissance Properties, Inc. granted a month-to-month lease for \$2,200 a month. In March 2015, the Realty & Mortgage Co. bought the building and became the Leaser. No lease was signed and Far South CDC rents the same space on a month to month lease for \$2,000 a month. No Future minimum lease payments are expected. On July 27, 2016, the Organization finally signed a three year lease with the new owners, Halsted Plaza, LLC, with a right to renew for two (2) additional five (5) year terms. The lease commences on August 1, 2016 for year one of \$2,083 per month, or \$25,000 per year, with a small pro-rata increase of 2% of the accumulated rent, every year. The lease with Halsted Plaza does not require a security deposit, and is unknown if the Organization is going to stay there after the initial three (3) year term.

Lease expenses for SSA # 45 was 40.5% of total rents paid, or \$13,554 for the year ended December 31, 2018. And for 2017 was 24.2% of total rents paid, or \$8,000.

**Future Minimum Lease Payments:**

2019	<u>\$ 15,172</u>
Total Future Minimum Lease Payment	<u>\$ 15,172</u>

**2. NOTES PAYABLE-HARRIS BANK LOAN**

Far South CDC has a \$175,000 Line of Credit with Harris Bank. It is a revolving line of credit at an interest rate of 5.5% for the year ended December 31, 2018. It is guaranteed by the Executive Director of Far South and with all of Far South CDC's assets as collateral. It is to be used in conjunction with SSA # 45 and SSA # 49. The Line of Credit from Harris Bank had a balance for the year ended, December 31, 2018 of \$139,316. In November 2017 the Line of Credit with Harris Bank was converted to a promissory note, with a five year installment plan. This note has a maturity date of January 30, 2023 with a monthly payment of \$1,993 with 8.75% APR interest rate.

At January 30, 2023, the Principal of \$97,571.49 is due as a balloon payment and most likely will be refinanced under new terms. The future minimum payments are as follows:

**Future Minimum Payments:**

2019	11,170
2020	12,166
2021	13,326
2022 and subsequent years	<u>112,129</u>
Total Future Minimum Payments	<u>\$ 148,791</u>

**3. EQUIPMENT LEASE PAYABLE**

In July 2016, Far South CDC entered into a lease/financing agreement with Lenovo Financial Services to purchase new computers for the staff. It is a 36 month lease at 4.7% APR, payable in monthly installments of \$383.28, and is collateralized by the equipment purchased. The lease does offer a \$1 buyout option.

**Future Minimum Lease Payments:**

2019	<u>2,300</u>
Total Future Minimum Lease Payment	<u>\$ 2,300</u>

**NOTE C - TIF FUNDS ALLOCATION**

For the last four (4) years, SSA 45 funds have been levied by multiple Tax Increment Funds (TIFs) by about 32% to 25% off the top of 2018 and 2017 Property Tax Levies. This means that even though the levy and budget say that they should have received for the years ended December 31, 2018 and 2017, \$692,630 and \$743,438, respectively. The SSA will only receive 68% to 75%, or \$467,580 and \$479,739 for the years ended December 31, 2018 and 2017, respectively.

**SUPPLEMENTAL INFORMATION**

**SPECIAL SERVICE AREA NUMBER 45**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2018**

Far South CDC/Special Service Area # 45 noted that certain expenditures for the year ended December 31, 2017 in which actual expenses exceeded budgeted amounts. ***Finding repeated see page 14.***

**SPECIAL SERVICE AREA NUMBER 45**  
**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2018**

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.





**Corrective Action Plan for Far South CDC/SPECIAL SERVICE AREA NUMBER 45  
For the Year Ended December 31, 2018**

**Finding 2018-1:**

***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. 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

***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 2018-2:**

### ***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)



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**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  
April 30, 2019