

Greater Auburn-Gresham Development Corporation

SSA #32

Financial Statements

Year ended December 31, 2009

(With Independent Auditors' Report Thereon)



GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION SSA # 32

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|--|----------------|
| Independent Auditors' Report..... | 1 |
| Statement of Assets, Liabilities and Net Assets..... | 2 |
| Statement of Revenue, Expenditures..... | 3 |
| Statement of Cash Flows..... | 4 |
| Notes to Financial Statements..... | 5 - 8 |
| Summary Schedule of Audit Findings..... | 9 - 10 |



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Independent Auditors' Report

The Board of Directors
Greater Auburn-Gresham Development Corporation and SSA #32:

We were engaged to audit the accompanying statement of assets, liabilities, and net assets of Greater Auburn-Gresham Development Corporation Special Service Area #32 (SSA # 32), as of December 31, 2009, and the related statements of revenues and expenditures-actual to budget, and cash flows for the year then ended. These financial statements are the responsibility of the SSA # 32's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Auburn-Gresham Development Corporation Special Service Area #32 as of December 31, 2009, and its revenues and expenditures-budget to actual, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2009 budget amounts, which were arrived at by the Special Service Area are shown in the statement of revenue, expenditures and changes in net assets, are presented for comparison purposes only. We have not performed any auditing procedures on the budget amounts and therefore, express no opinion on them.

A handwritten signature in cursive script that reads 'Benford Brown & Associates, LLC'.

Benford Brown & Associates, LLC
Chicago, IL
April 26, 2010

Greater Auburn-Gresham Development Corporation Special Service Area # 32

Statement of Assets, Liabilities and Net Assets

Year ended December 31, 2009

| Assets | |
|---|-------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 111,817 |
| Levy receivable (note 4) | 93,194 |
| Total assets | \$ 205,011 |
| | |
| Liabilities and Net Assets | |
| Current liabilities: | |
| Accounts payable | \$ 17,124 |
| Due to GADC (note 5) | 45,000 |
| Total liabilities | 62,124 |
| | |
| Net assets: | |
| Unrestricted | 142,887 |
| Total liabilities and net assets | \$ 205,011 |

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

Greater Auburn-Gresham Development Corporation Special Service Area # 32

Statement of Revenue and Expenditures-Actual to Budget

Year ended December 31, 2009

| | Actual | Budget | Variance |
|---|-------------------|----------------|----------------|
| Revenues: | | | |
| Tax levy revenue (note 3) | \$ 283,335 | 283,335 | - |
| Interest revenue | 214 | - | 214 |
| Total revenue | 283,549 | 283,335 | 214 |
| Expenditures: | | | |
| Advertising and promotion services | | | |
| Public media relations services | 8,600 | 9,000 | (400) |
| Special events | 27,467 | 29,000 | (1,533) |
| Display ads | 13,800 | 15,000 | (1,200) |
| Print materials | 2,406 | 4,000 | (1,594) |
| Website/technology | - | - | - |
| Service provider direct services | 5,500 | 5,500 | - |
| Total advertising and promotion services | 57,772 | 62,500 | (4,728) |
| Public way maintenance services | | | |
| Sidewalk cleaning | 67,500 | 56,000 | 11,500 |
| Supplies | - | - | - |
| Other/litter free zone | 14,932 | 15,000 | (68) |
| Service provider direct services | 5,000 | 5,000 | - |
| Total public way maintenance services | 87,432 | 76,000 | 11,432 |
| Public way aesthetic services | | | |
| Decorative banner/installation/maintenance | - | - | - |
| Landscaping | 8,468 | 10,000 | (1,533) |
| Holiday decorations/other | 14,484 | 10,000 | 4,484 |
| Streetscape elements | - | 10,000 | (10,000) |
| Service provider direct services | 4,000 | 4,000 | - |
| Total public aesthetic services | 26,952 | 34,000 | (7,049) |
| Tenant retention/attraction | | | |
| Pre-development | - | - | - |
| Site marketing materials | 4,000 | 4,000 | - |
| Technical assistance to businesses | 3,000 | 8,000 | (5,000) |
| Service provider direct services | 5,000 | 5,000 | - |
| Other/business license and support program | 1,838 | 4,000 | (2,162) |
| Total tenant retention/attraction | 13,838 | 21,000 | (7,162) |
| Parking/transit/accessibility services | | | |
| Parking facility enhancement program | - | - | - |
| Service provider direct services | - | - | - |
| Total parking/transit/accessibility services | - | - | - |
| District planning services | | | |
| SSA workplan, visioning, etc. | 2,521 | 3,000 | (479) |
| Service provider direct services | - | 2,000 | (2,000) |
| Total district planning services | 2,521 | 5,000 | (2,479) |
| Safety programs | | | |
| Safety seminars | - | - | - |
| Juvenile/adult court and CAPS community service | 3,500 | 2,198 | 1,302 |
| Service provider direct services | - | 4,000 | (4,000) |
| Total safety programs | 3,500 | 6,198 | (2,698) |
| Façade development services | | | |
| Façade improvements | 12,655 | 2,000 | 10,655 |
| Total façade development services | 12,655 | 2,000 | 10,655 |
| Management and general | | | |
| Audit/bookkeeping | 6,000 | 6,000 | - |
| Meeting | 4,000 | 4,000 | - |
| Rent | 9,145 | 7,500 | 1,645 |
| Office equipment lease/maintenance | 355 | 2,000 | (1,645) |
| Office supplies | 2,000 | 2,000 | - |
| Utilities | 2,000 | 2,000 | - |
| Postage | 1,000 | 1,000 | - |
| Printing | 3,000 | 3,000 | - |
| Subscriptions/dues | 1,000 | 1,000 | - |
| Loss collection | 10,497 | 14,500 | (4,003) |
| Service provider administrative support | 26,637 | 26,637 | - |
| Total management and general | 65,634 | 69,637 | (4,003) |
| Total expenses | \$ 270,303 | 276,335 | (6,032) |
| Excess of Revenues over Expenditures | \$ 13,247 | 7,001 | 6,247 |

Greater Auburn-Gresham Development Corporation Special Service Area # 32

Statement of Cash Flows

Year ended December 31, 2009

Cash flows from operating activities:

| | |
|---|-----------|
| Excess of revenue over expenditures | \$ 13,247 |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | |
| Increase in levy receivable | (93,194) |
| Increase in accounts payable | 9,624 |
| Prior period adjustment (note 7) | 78,682 |

| | |
|--|-------|
| Net cash provided by in operating activities | 8,359 |
|--|-------|

Cash flows from investing activities:

-

Cash flows from financing activities:

| | |
|-------------------------|--------|
| Increase in due to GADC | 45,000 |
|-------------------------|--------|

| | |
|---|--------|
| Net cash provided by financing activities | 45,000 |
|---|--------|

| | |
|----------------------|--------|
| Net increase in cash | 53,359 |
|----------------------|--------|

| | |
|-------------------------|--------|
| Cash at January 1, 2009 | 58,458 |
|-------------------------|--------|

| | |
|---------------------------|------------|
| Cash at December 31, 2009 | \$ 111,817 |
|---------------------------|------------|

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

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION SSA #32

Notes to the Financial Statements

Year ended December 31, 2009

(1) Organization Description

The Greater Auburn-Gresham Development Corporation (GADC) was created in 2005 to provide community services, in addition to those provided by the City of Chicago, to the Greater Auburn-Gresham Corporation, which is the industrial area bounded by the north line of 79th Street to the north; the Dan Ryan Expressway to the east; the south line of 79th Street to the north; and Marshfield Avenue to the west. On October 6, 2005, the City council of the City of Chicago enacted an ordinance which established an area known and designated as City of Chicago Special Service Area #32 and authorized the levy of an annual tax not to exceed an annual rate of 3% of the equalized assessed value of the taxable property therein to provide by and to the City of Chicago generally. The area designated as Special Service Area #32 included the identical boundaries defined by the Greater Auburn-Gresham Development Corporation when it was created in 2005.

The special services authorized in the ordinance include street resurfacing, sewer and water line improvements, electrical improvements, refurbishing of railroad crossings, private security, area clean-up, and technical assistance to promote commercial and economic development which was commensurate with the services provided by the GADC. The Commissioner of the city of Chicago's Department of Planning and Development was authorized to enter into an agreement to appoint Greater Auburn-Gresham Development Corporation as the Service Provider for Special Service Area #32 (SSA # 32). All activities of SSA #32 are carried out by the Greater Auburn-Gresham Development Corporation.

The Agreement with the City of Chicago requires an annual independent audit of Special Service Area #32's operations. Accordingly, the accompanying financial statements were prepared to present the operations of the SSA #32 and are not intended to present the financial position and change in net assets of GADC.

(2) Summary of Significant Accounting Policies

Basis of Accounting

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; revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are accounted for using the accrual basis; revenues are recognized when they are both measurable and available. Available means the current period or soon enough thereafter to pay current liabilities. The SSA # 32 considers tax revenue to be available if it is collected within 60 days of the end of the year.

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION SSA # 32

Notes to the Financial Statements

Year ended December 31, 2009

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 SSA # 32 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 SSA # 32 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 Accounting Codification Standards (ACS) No.958-205, “Not-for-Profit Entities Presentation of Financial Statements”.

Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained by the SSA # 32. Generally, the donors to these assets permit the SSA # 32 to use all or part of the income earned on related investments for general or specific purposes. The SSA # 32 did not maintain any permanently restricted net assets during fiscal year 2009.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the GADC and/or passage of time. GADC did not maintain any temporarily restricted net assets during fiscal year 2009.

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

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.

Donated Services

Donated services are recognized as contributions in accordance with FASB ACS 958-605 “Not-for-Profit Entities, Revenue Recognition”, if the services (a) create or enhance nonfinancial

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION SSA # 32

Notes to the Financial Statements

Year ended December 31, 2009

assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the SSA # 32.

Income Tax

SSA # 32, as a Special Service Area established by the City of Chicago, is excluded from federal income taxes.

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.

Net Assets

Unrestricted net assets was \$142,887 as of December 31, 2009.

(3) Real Estate Tax Revenue

SSA # 32's principle source of revenue is from real estate taxes levied on certain property located in the boundaries listed in Note 1. The taxes are assessed and collected by Cook County, and paid to the City of Chicago, which then remits to the SSA # 32. Taxes are levied in one year, but paid in two installments the following year by the property owners. SSA # 32 recognizes this revenue in the year in which the funds become available.

(4) Levy Receivable

Levy receivable consist of the following at December 31:

| | |
|-----------------|------------------|
| | <u>2009</u> |
| City of Chicago | <u>\$ 93,194</u> |

All of the SSA # 32's receivables are due within the next fiscal year.

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION SSA # 32

Notes to the Financial Statements

Year ended December 31, 2009

(5) Due to GADC

GADC has a \$282,000 line of credit with Harris N.A. The line bears an interest rate of 3.25% with annual yield of 1.75%. At December 31, 2009, GADC loaned a portion of the line of credit proceeds and the outstanding year-end balance of this loan was \$45,000.

(6) Loss Collection

SSA # 32 uses the direct write off method for uncollectible levy receivable. At December 31, 2009, the SSA # 32 had loss collections included in the budget in the amount of \$20,000. As of December 31, 2009, the SSA # 32 deemed \$10,497 to be uncollectible and were directly written off against levy receivable.

(7) Prior Period Adjustment

During fiscal year 2009, an adjustment was made to the financial statements to correctly state the beginning balances of the levy receivables and net assets. The prior period adjustment is as follows:

Net assets at January 1, 2009:

| | |
|--|-------------------|
| Unrestricted | <u>\$ 50,958</u> |
| Adjustments to unrestricted net assets: | |
| To properly state levy receivables | <u>78,682</u> |
| Unrestricted net assets at January 1, 2009, as restated: | <u>\$ 129,640</u> |

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION SSA # 32

Service Provider Agreement Compliance

Summary Schedule of Audit Findings

Year ended December 31, 2009

Finding 09-1 Bank Reconciliations

The GADC has two SSA accounts at Harris Bank. The checking account was reconciled monthly. The money market account was reviewed monthly by the executive director, however there should also be a reconciliation prepared and a review completed by the SSA treasurer and evidence of that review should be included on the bank reconciliations. In addition, we noted no evidence of review by a person independent of the preparer. Bank reconciliations should be prepared monthly for all bank accounts even when there is no activity in the account. As a result, the risk of material misstatement of the financial statements increased significantly.

Management Response

The money market account is reviewed on a monthly basis by the Executive Director and the Board Treasurer. Beginning May 1, 2010 the SSA Treasurer will also review and initial the bank reconciliations and the bank statements for all bank accounts maintained by the SSA.

Finding 09-2 Revenue Recognition

SSA # 32 does not record revenue as recognized. Currently, revenue is recorded as received. However, revenue received includes current year levy, prior year levy, and prior year write offs of uncollectible levy income. Generally accepted accounting principles require current year revenue to be recorded as earned, prior year collected funds are recorded against the established levy receivable, and prior year write offs of uncollectible levies are recorded as a write off of the outstanding receivable. The entire levy amount should be recorded when the SSA # 32 is notified of the amount and as the funds are received, the amount received should be recorded as a credit to the levy receivable account. As a result of the practice of recording revenue as it is collected, revenue, levy receivable, and loss collection were materially misstated.

Management Response

Beginning May 1, 2010, the SSA # 32 Executive Director will work with the accountant to ensure that all revenue, levy receivables, and loss collections are recorded correctly for the 2010 program year.

Finding 09-3 Expense Recognition

SSA # 32 does not record expenses as incurred. Currently, expenses are recorded when paid or a month after they have been incurred. However, the result is that expenses are not recorded in the proper period. Generally accepted accounting principles require expenses to be recorded as incurred regardless of the date of receipt of the bill or payment for the bill. As a result of the

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION SSA # 32

Service Provider Agreement Compliance

Summary Schedule of Audit Findings

Year ended December 31, 2009

current practice of expense recording, accounts payable and the related expenses were materially misstated.

Management Response

Beginning May 1, 2010, the SSA # 32 executive director will work with the accountant to ensure that all expenses are recorded as incurred.