

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**SPECIAL SERVICE AREA #3**

DECEMBER 31, 2012

Special Service Area #3

December 31, 2012

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## **INDEPENDENT AUDITORS' REPORT**

To the Commissioners  
Special Service Area #3

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Special Service Area #3, which comprise the balance sheet as of December 31, 2013, and the related statement of activities – budget and actual, statement of cash flows, and summary schedule of findings 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #3 as of December 31, 2012, and the statement of activities – budget and actual, statement of cash flows, and summary schedule of findings for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 6 in the notes to the financial statements, the financial statements were reissued to provide additional information. Our opinion is not modified with respect to the matters discussed in Note 6.

The accompanying schedule of expenses - budget to actual, is presented for purposes of additional analysis, as required by the City of Chicago. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors and management of Greater Southwest Development Corporation and the Commissioners of Special Service Area #3 of the City of Chicago and is not intended to be and should not be used by anyone other than these specified parties.

*FLS Group, LLC*

FLS GROUP, LLC  
Certified Public Accountants  
Skokie, Illinois

Taxpayer Identification Number  
27-0515957

July 22, 2013, except for Note 6 as to  
which the date is March 3, 2014

Lead Auditor: Moarij A. Khan

Special Service Area #3

STATEMENT OF FINANCIAL POSITION

December 31, 2012

ASSETS

Cash and cash equivalents	\$ 841,188
Due from Greater Southwest Development Corporation	246,573
Accounts receivable	<u>-</u>
Total Assets	<u><u>\$ 1,087,761</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 10
Unrestricted Net Assets	<u>1,087,751</u>
Total Liabilities and Net Assets	<u><u>\$ 1,087,761</u></u>

See notes to financial statements

Special Service Area #3

STATEMENT OF ACTIVITIES - BUDGET AND ACTUAL

December 31, 2012 and 2011

	<u>2012</u> Budget	<u>2012</u> Actual
<b>Revenues</b>		
Tax collections from the City of Chicago	\$ 1,377,849	\$ 1,339,476
Interest earned	-	2,002
<b>Total revenues</b>	<u>1,377,849</u>	<u>1,341,478</u>
<b>Expenses</b>		
Advertising	231,000	238,843
Public way maintenance	80,297	50,425
Public way aesthetics	225,000	167,552
Tenant retention/attraction	90,000	120,949
Façade improvements	122,652	69,499
Safety programs	429,816	474,834
District planning	40,000	39,230
Other technical assistance	33,000	60,164
Personnel	263,213	247,284
Administration	110,495	80,420
Loss collection	150,000	-
<b>Total expenses</b>	<u>1,775,473</u>	<u>1,549,200</u>
<b>Excess of Expenses over Revenues and Change in Net Assets</b>	<u>\$ (397,624)</u>	<u>(207,722)</u>
<b>Net Assets, beginning of year (carryover)</b>		<u>1,295,473</u>
<b>Net Assets, end of year</b>		<u>\$ 1,087,751</u>

See notes to financial statements

Special Service Area #3

STATEMENT OF ACTIVITIES - BUDGET AND ACTUAL

December 31, 2012 and 2011

	<u>2011</u> Budget	<u>2011</u> Actual
Revenues		
Tax collections from the City of Chicago	\$ 1,621,626	\$ 1,461,354
Interest earned	-	1,864
Total revenues	<u>1,621,626</u>	<u>1,463,218</u>
Expenses		
Advertising	263,000	301,676
Public way maintenance	336,217	195,620
Public way aesthetics	285,000	238,499
Tenant retention/attraction	98,215	54,129
Façade improvements	84,000	66,748
Safety programs	38,816	240,216
District planning	61,200	24,885
Other technical assistance	124,585	29,697
Administration	180,593	116,120
Loss collection	<u>150,000</u>	<u>-</u>
Total expenses	<u>1,621,626</u>	<u>1,267,590</u>
Excess of Revenues over Expenses and Change in Net Assets	<u>\$ -</u>	195,628
Net Assets, beginning of year, as previously reported		658,896
Prior Period Adjustment		<u>440,949</u>
Net Assets, beginning of year, as adjusted		<u>1,099,845</u>
Net Assets, end of year		<u>\$ 1,295,473</u>

See notes to financial statements

Special Service Area #3

STATEMENT OF CASH FLOWS

December 31, 2012

Cash flows from operating activities:	
Decrease in Net Assets	\$ (207,722)
Decrease in accounts receivable	22,883
(Decrease) in accounts payable	(1,810)
(Increase) in due from Greater Southwest Development Corporation	<u>(90,620)</u>
Net cash provided by operating activities	<u>(277,269)</u>
Cash and cash equivalents, beginning of year	<u>1,118,457</u>
Cash and cash equivalents, end of year	<u><u>\$ 841,188</u></u>

See notes to financial statements

## Special Service Area #3

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

#### NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Greater Southwest Development Corporation (GSDC) is the catalyst for creating and maintaining a vital greater Southwest Chicago community by empowering, building, and sustaining development to raise the quality of life for its neighborhood residents, businesses, and industries.

Special Service Areas (SSA) 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 developmental initiatives.

SSA #3 was established by the City of Chicago and is administered by GSDC. It represents a specified geographic area within the city from which a portion of the property tax collections are allocated thereto. The defined territory in whole or in part is encompassed by the following: on West 63<sup>rd</sup> Street from South Bell Avenue to South Cicero Avenue; on South Kedzie Avenue from West 62<sup>nd</sup> Street to West 64<sup>th</sup> Street; on South Pulaski Road from West 56<sup>th</sup> Place to West 71<sup>st</sup> Street; on South Western Avenue from West 61<sup>st</sup> Street to West 64<sup>th</sup> Street; and on the east side of South Cicero Avenue from the alley north of West 63<sup>rd</sup> Street to West 71<sup>st</sup> Street.

The city has contracted with GSDC to manage SSA #3's activities. GSDC provides and/or coordinates the provision of SSA services, which may include hiring staff and/or subcontractors as needed to fulfill the SSA work plan. GSDC also generates program reports to the City's Departments of Planning and Development, SSA Commission, Aldermen, and the community via such means as meeting minutes, reports and/or newsletters. GSDC may also assist with the recruitment of SSA Commissioners.

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

SSA #3 uses the accrual method of accounting; its financial statements reflect only assets, liabilities, and revenues and expenses specifically allocated to the activities of SSA. No other assets, liabilities, revenues or expenses of GSDC are reported therein.

Special Service Area #3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Presentation of these financial statements is governed by the requirements of the City of Chicago, whereby actual and budgeted expenses are reported in conformity with the classification criteria developed by it. Under United States Generally Accepted Accounting Principles (GAAP), assets, that would be reported in the financial statements as capital assets or prepaid expenses and then depreciated or amortized, are charged directly to their respective allocated budget accounts. Accordingly, these financial statements are not in conformity with GAAP.

Further, all assets of SSA #3, whether reflected in the financial statements or not, are owned by the City of Chicago on behalf of the residents within the specified geographic area outlined above and may be claimed and/or withdrawn from use by the city at its discretion.

Cash and Cash Equivalents

All certificates of deposit purchased with a maturity of three to twelve months are considered to be cash equivalents and are recorded at cost. These investments should be reflected at their market values, along with any unrealized gains or losses. However, the effect of using the cost method of valuation is not materially different from the results that would have been obtained under the market valuation method.

Concentrations of Credit Risk

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist principally of cash. SSA #3 maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. SSA #3 has not experienced any losses in such accounts.

Income Taxes

SSA #3 is exempt from federal, state, and local income taxation as it is a non-taxpaying entity created by the City of Chicago, established solely for the purpose of the development of the community; it receives funding directly from local property tax collections.

Use of Estimates

The preparation of financial statements 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.

Special Service Area #3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - CONCENTRATION OF REVENUES AND ACCOUNTS RECEIVABLE

All revenues (except interest on short-term investments) are received from the City of Chicago and are to be used for rehabilitating, advertising, promoting, and maintaining the defined area. The allocated tax collections during 2012 were \$1,339,476. Future operations could be affected by changes in the economic or other conditions in that geographical area and/or by changes in the availability of city funding.

NOTE 4 - LITIGATION, RISK, AND CONTINGENCIES

In the normal course of business, GSDC (including SSA #3) may be named as defendant in various legal actions. As of July 22, 2013, GSDC is not aware of any pending litigation or other loss contingencies that would require recognition or disclosure of any contingent liabilities in the SSA #3 financial statements at December 31, 2012.

NOTE 5 - ADMINISTRATIVE SERVICES

Certain expenses incurred by SSA #3 are paid to GSDC as reimbursement of overhead. For 2012, the total of such expenses, including payroll, was \$327,704.

NOTE 6 - REISSUE

The financial statements have been reissued on March 3, 2014 to change the title to the statement of financial position, add budget and actual for 2012 and 2011 to the statement of activities, and to include the statement of cash flows.

NOTE 7 - SUBSEQUENT EVENTS

GSDC has evaluated the December 31, 2012, financial statements of SSA #3 for subsequent events affecting SSA #3 through July 22, 2013, the date the financial statements were available to be issued. GSDC entity is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Special Service Area #3

SCHEDULE OF EXPENSES - BUDGET TO ACTUAL

December 31, 2012

	<u>2012</u> Budget	<u>2012</u> Actual
Advertising and promotions		
1.01 Display ads	\$ 30,000	\$ 27,624
1.02 Promotions	80,000	78,485
1.03 Print materials	35,000	41,618
1.05 Special events	80,000	86,883
1.06 Website/technology	6,000	4,233
1.07 Direct services	-	-
	<u>          </u>	<u>          </u>
Total advertising and promotions	<u>\$ 231,000</u>	<u>\$ 238,843</u>
Public way maintenance		
2.01 Equipment purchase and maintenance	\$ 45,000	\$ 22,832
2.03 Graffiti removal program	10,480	708
2.04 Liability/property insurance	8,000	9,485
2.05 Sidewalk cleaning	-	5
2.10 Maintenance Supplies	16,817	17,395
2.14 Service provider direct service	-	-
	<u>          </u>	<u>          </u>
Total public way maintenance	<u>\$ 80,297</u>	<u>\$ 50,425</u>
Public Way Aesthetic		
3.01 Banners/install/maintenance	\$ 75,000	\$ 29,105
3.02 Holiday decorations	50,000	34,402
3.03 Landscaping	50,000	71,024
3.05 Streetscape elements	30,000	17,615
3.07 Direct Service	-	-
3.08 Other: Community pride campaign	20,000	15,406
	<u>          </u>	<u>          </u>
Total public way aesthetic	<u>\$ 225,000</u>	<u>\$ 167,552</u>
Tenant retention/attraction		
4.02 Pre-development	\$ 25,000	\$ 25,000
4.03 Site marketing materials	30,000	59,850
4.04 Technical assistance to businesses	15,000	16,295
4.06 Direct services	-	-
4.07 Other: Consult	20,000	19,804
	<u>          </u>	<u>          </u>
Total tenant retention/attraction	<u>\$ 90,000</u>	<u>\$ 120,949</u>

Special Service Area #3

SCHEDULE OF EXPENSES - BUDGET TO ACTUAL

December 31, 2012

	<u>2012</u>	<u>2012</u>
Façade improvements		
5.01 Pre-development	\$ 81,652	\$ 44,539
5.02 Awning rebate program	41,000	24,960
5.04 Service provider direct service	<u>-</u>	<u>-</u>
Total façade improvements	<u>\$ 122,652</u>	<u>\$ 69,499</u>
Safety programs		
7.02 Security rebate	\$ 58,816	\$ 58,024
7.07 Security subcontractors	371,000	416,810
7.09 Service provider	<u>-</u>	<u>-</u>
Total safety programs	<u>\$ 429,816</u>	<u>\$ 474,834</u>
District planning		
8.02 District branding	\$ 40,000	\$ 39,230
8.04 District master plan, streetscaping plans	-	-
8.07 Service provider direct service	<u>-</u>	<u>-</u>
Total district planning	<u>\$ 40,000</u>	<u>\$ 39,230</u>
Other technical assistance		
9.01 Tech service provider	\$ 18,000	\$ 39,661
9.02 Wifi infrastructure and planning	<u>15,000</u>	<u>20,503</u>
Total other technical assistance	<u>\$ 33,000</u>	<u>\$ 60,164</u>

Special Service Area #3

SCHEDULE OF EXPENSES - BUDGET TO ACTUAL

December 31, 2012

	<u>2012</u>	<u>2012</u>
<b>Personnel</b>		
10.01 Lenora M. Dailey - Deputy Director of Comm. and Industrial	\$ 35,843	\$ 17,851
10.03 Nick Kollias - Commercial Director	74,912	77,163
10.04 Christine James - Director of Comm. and Tech. Services	2,017	11,470
10.05 Finance Director	7,780	8,664
10.06 Danielle Dai - Industrial Coordinator	9,429	2,434
10.07 Jose Navarrete - Street Sweeper I	42,835	41,689
10.08 Robert Navarro - Street Sweeper II	46,180	59,267
10.09 Youth Coordinator I	6,383	6,472
10.10 Youth Coordinator II	6,383	-
10.11 Marketing Assistant	28,460	22,274
10.12 Administrative Assistant	2,991	-
	<u>263,213</u>	<u>247,284</u>
Total Personnel	\$ <u>263,213</u>	\$ <u>247,284</u>
<b>Administration</b>		
11.02 Audit/bookkeeping	\$ 13,460	\$ 23,601
11.04 Office rent	21,600	2,530
11.05 Office utilities/telephone	16,380	10,405
11.06 Office supplies	14,350	6,150
11.07 Office equipment lease/maintenance	-	-
11.08 Office printing	11,563	11,269
11.09 Postage	2,720	2,973
11.10 Meeting expenses	4,042	5,538
11.11 Subscriptions	280	1,709
11.12 Service provider administrative support	-	-
11.14 Other: Legal consulting, travel, staff training	14,400	7,038
11.15 Other: Cleaning, internet, computer support, etc.	11,700	9,207
	<u>110,495</u>	<u>80,420</u>
Total administration	\$ <u>110,495</u>	\$ <u>80,420</u>
<b>Loss collection</b>		
11.00 Loss collection	\$ 150,000	\$ -
	<u>150,000</u>	<u>-</u>
Total	\$ <u>1,775,473</u>	\$ <u>1,549,200</u>

Special Service Area #3

SUMMARY SCHEDULE OF FINDINGS

December 31, 2012

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, we have read the requirements contained in the Agreement for SSA #3 between the City of Chicago and Greater Southwest Development Corporation.

Based on our understanding of the Agreement and the facts surrounding the performance under the Agreement, there were no findings to report in 2012. Many contractual items were included in the Agreement which dealt with non-accounting and non-financial matters of which, we had no knowledge.