

**Special Service Area #3
Financial Statements and
Independent Auditor's Report**

December 31, 2014

**Special Service Area #3
Table of Contents
December 31, 2014**

	<u>Page</u>
Independent Auditor's Report	1 -2
Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheet	3
Statement of Activities and Governmental Funds, Revenues, Expenditures and Changes in Fund Balance	4
Statements of Revenues and Expenditures – Budget and Actual	5 - 8
Notes to Financial Statements	9 – 12
Supplemental Information:	
Summary Schedule of Findings	14

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Special Service Area #3
Chicago, Illinois

Report on Financial Statements

We have audited the accompanying financial statements of Special Service Area #3 (a nonprofit entity), which comprise of the statement of net position and governmental funds balance sheet as of December 31, 2014, and the related statement 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. The statement of revenues and expenditures – budget and actual have been audited by our firm and are presented for comparative purposes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed or permitted by the City of Chicago. Management is also responsible for 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 judgement, 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by Special Service Area #3 in accordance with the financial reporting practices prescribed or permitted by the City of Chicago, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the City of Chicago. The effects on the financial statements of the variances between the regulatory basis of accounting as described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the last paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Special Service Area #3 as of December 31, 2014, or the changes in its fund balance/net position for the year then ended.

Opinion on a Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance of Special Service Area #3 as of December 31, 2014, and its support, revenue, and expenses for the year then ended, in accordance with the financial reporting practices prescribed or permitted by the City of Chicago in Note 2.



Evolve Financial I

Taxpayer Identification Number
46-3683619

April 29, 2015
Lead Auditor: Michael R. Sieczkowski II, CPA
IL License No.: 065.035219

**Special Service Area #3
Statement of Net Position and
Governmental Funds Balance Sheet
December 31, 2014**

	Governmental Funds	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,862	\$ -	\$ 7,862
Interest Receivable	4	-	4
Property Tax Levy Receivable, Net of Allowance for Uncollectible Taxes of \$184,000	1,043,209	-	1,043,209
Total Assets	\$ 1,051,075	\$ -	\$ 1,051,075

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE/NET POSITION

Accounts payable and accrued expenses	\$ 4,620	\$ -	\$ 4,620
Due to SSA Manager	49,837	-	49,837
Prior Year Tax Levy Credits Due to City of Chicago	13,273	-	13,273
Deferred Property Tax Revenue Inflow	1,043,209	(1,043,209)	-
Fund Balance, Unassigned	(59,864)	59,864	-
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 1,051,075		
Net Position, Restricted		\$ (983,345)	\$ 983,345

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

Total fund balance - governmental funds	\$ (59,864)
Property tax revenue is recognized in the period in which funds are levied rather than when "available". A portion of the property tax is deferred as it is not available in the governmental funds.	1,043,209
Total net position - governmental activities	\$ 983,345

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**Special Service Area #3
Statement of Activities and
Governmental Funds, Revenues, Expenditures and
Changes in Fund Balance
Year Ended December 31, 2014**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Tax Collections from the City of Chicago			
Net of Prior Years' Loss Collections of \$387,060	\$ 1,038,467	\$ 4,742	\$ 1,043,209
Interest Revenue	35	-	35
	<u>1,038,502</u>	<u>4,742</u>	<u>1,043,244</u>
Total Revenues			
Expenses			
Advertising and Promotion	230,047	-	230,047
Public Way Maintenance	28,298	-	28,298
Public Way Aesthetics	96,399	-	96,399
Tenant Retention/Attraction	38,229	-	38,229
Façade improvements	45,894	-	45,894
Safety programs	302,480	-	302,480
Other Technical Assistance	81,976	-	81,976
Personnel	238,724	-	238,724
Admin Non-Personnel	62,789	-	62,789
Loss Collection	13,273	-	13,273
	<u>1,138,109</u>	<u>-</u>	<u>1,138,109</u>
Total expenses			
Excess of Expenses Over Revenues	(99,607)	99,607	
Change in Fund Balance/Net Position		(94,865)	(94,865)
Fund Balance/Net Position, Beginning of Year	<u>39,743</u>	<u>1,038,467</u>	<u>1,078,210</u>
Fund Balance/Net Position, End of Year	<u>\$ (59,864)</u>	<u>\$ 1,043,209</u>	<u>\$ 983,345</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in Fund balance - governmental funds	\$ (99,607)
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>4,742</u>
	<u>\$ (94,865)</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Special Service Area #3
Statements of Revenues and Expenditures
Budget and Actual
Years Ended December 31, 2014 and 2013

	2014		2013			
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues						
Property Taxes	\$ 1,425,562	\$ 1,038,467	\$ (387,095)	\$ 1,866,067	\$ 818,513	\$ (1,047,554)
Interest	-	35	35	-	1,152	1,152
Total Revenues	<u>1,425,562</u>	<u>1,038,502</u>	<u>(387,060)</u>	<u>1,866,067</u>	<u>819,665</u>	<u>(1,046,402)</u>
Advertising and Promotion						
1.01 Website and/or Social Media	6,000	-	6,000	6,000	5,700	300
1.03 Special Events	80,000	79,812	188	80,000	78,581	1,419
1.04 Display Advertising	77,000	76,570	430	30,000	30,682	(682)
1.05 Print materials	45,000	41,094	3,906	35,000	35,200	(200)
1.06 Holiday/Seasonal Promotions	35,000	32,571	2,429	80,000	88,479	(8,479)
1.07 Other: Community Tours	20,000	-	20,000	-	-	-
Total Advertising and Promotion	<u>263,000</u>	<u>230,047</u>	<u>32,953</u>	<u>231,000</u>	<u>238,642</u>	<u>(7,642)</u>
Public Way Maintenance						
2.04 Acid etching removal and/or prevention	1,500	600	900	10,480	-	10,480
2.05 Equipment purchase/maintenance	15,000	16,479	(1,479)	44,000	22,400	21,600
2.06 Supplies	7,000	3,643	3,357	16,817	5,445	11,372
2.08 Liability/Property Insurance	8,000	7,576	424	8,000	8,000	-
Total Public Way Maintenance	<u>31,500</u>	<u>28,298</u>	<u>3,202</u>	<u>79,297</u>	<u>35,845</u>	<u>43,452</u>
Public Way Aesthetics						
3.01 Streetscape Elements	-	23,041	(23,041)	30,000	-	30,000
3.02 Decorative Banners and/or Holiday Decorations	70,000	17,261	52,739	75,000	84,710	(9,710)
3.05 Landscaping (plants, watering, etc.)	50,000	56,097	(6,097)	50,000	59,104	(9,104)
3.10 Greenery Decorations	-	-	-	50,000	11,700	38,300
3.11 Community Tours	-	-	-	20,000	27,094	(7,094)
Total Public Way Aesthetics	<u>120,000</u>	<u>96,399</u>	<u>23,601</u>	<u>225,000</u>	<u>182,608</u>	<u>42,392</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Special Service Area #3
Statements of Revenues and Expenditures
Budget and Actual
Years Ended December 31, 2014 and 2013

	2014	2013
Tenant Retention/Attraction		
4.01 Data Collection	-	1,000
4.02 Site Marketing (Materials, Services, etc.)	24,401	29,844
4.03 Pre-Development Services	1,940	25,000
4.04 Technical/Marketing Assistance	11,888	15,321
4.05 Marketing-Retail Consultant	-	17,124
	<u>47,000</u>	<u>88,289</u>
Total Retention/Attraction	8,771	1,711
Façade improvements		
5.01 Façade enhancement program - rebates	26,394	64,915
5.02 Awning program - rebates	19,500	22,250
	<u>45,894</u>	<u>87,165</u>
Total Façade improvements	(10,894)	(14,513)
Safety programs		
7.02 Security services	267,720	424,540
7.03 Safety improvement program - rebates	34,760	23,816
	<u>302,480</u>	<u>448,356</u>
Total Safety programs	68,771	480,879
SSA District Planning		
8.05 Economic Impact Study, Market Study, Branding Study	-	38,688
Other Technical Assistance		
9.01 Wifi District Infrastructure/Maintenance	81,976	183,464
	<u>120,000</u>	<u>(150,464)</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Special Service Area #3
Statements of Revenues and Expenditures
Budget and Actual
Years Ended December 31, 2014 and 2013

	2014		2013	
Personnel				
10.01 Ghian Foreman - Executive Director	13,331	13,389	(58)	47,897
10.02 Nick Kollias - Commercial Director	80,309	81,209	(900)	79,738
10.03 Melinda Lambert - Financial Manager	13,498	13,374	124	8,711
10.04 Robert Navarro - Outreach Manager	59,845	59,066	779	42,000
10.05 Jose Navarette - Street Sweeper	36,148	38,474	(2,326)	49,602
10.06 Z. Elizabeth Martinez - Office Manager	24,009	23,476	533	-
10.07 Monica Clodius - Economic Development Assistant	7,000	2,363	4,637	13,288
10.08 Christine James - Director of Comm & Tech Services	-	7,373	(7,373)	6,885
10.09 Caitlin Gath - Marketing Assistant	-	-	-	29,074
10.10 Street Sweeper II - TBA	-	-	-	37,064
Total Personnel	234,140	238,724	(4,584)	314,350
				262,503
Admin Non-Personnel				
11.01 SSA Annual Report	-	-	-	6,000
11.02 SSA audit	5,600	7,765	(2,165)	8,400
11.04 Office Rent	19,200	19,200	-	19,200
11.05 Office Utilities	4,800	12,831	(8,031)	4,800
11.06 Office supplies	4,400	1,702	2,698	4,400
11.07 Office Equipment Lease/Maintenance	2,622	-	2,622	14,115
11.08 Office printing	3,300	10,885	(7,585)	3,300
11.09 Postage	2,726	954	1,772	2,240
11.10 Meeting expense	3,843	1,151	2,692	4,860
11.11 Subscriptions/Dues	280	2,431	(2,151)	315
11.12 Banking Fees	-	-	-	1,200
11.14 Other: Mileage, Air Travel, Workshops	14,400	651	13,749	13,000
11.15 Other: Office Cleaning, Exterminator, Alarm Fees, IT	36,000	5,219	30,781	26,640
Total Admin Non-Personnel	97,171	62,789	34,382	108,470
				70,902
				37,568

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Special Service Area #3
Statements of Revenues and Expenditures
Budget and Actual
Years Ended December 31, 2014 and 2013

	2014	2013
Loss Collection		
12.01 Loss Collection (Unpaid Taxes)	100,000	150,000
	13,273	51,291
	86,727	98,709
Late Collections and Interest Income Thereon		
13.01 5% of last year's levy for Late Collections and Interest Income Thereon	6,500	73,942
	-	-
	6,500	73,942
Total Expenses	1,425,562	1,866,067
	1,138,109	1,720,276
	287,453	145,791
Excess of Expenses over Revenues	\$ -	\$ -
	\$ (99,607)	\$ (900,611)
	\$ (99,607)	\$ (900,611)

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Special Service Area #3
Notes to Financial Statements
December 31, 2014

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; facade improvements; and other commercial and economic development initiatives.

Special Service Area #3 (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 63rd Street from South Bell Avenue to South Cicero Avenue; on South Kedzie Avenue from West 62nd Street to West 64th Street; on South Pulaski Road from West 56th Place to West 71st Street; on South Western Avenue from West 61st Street to West 64th Street; and on the east side of South Cicero Avenue from the alley north of West 63rd Street to West 71st Street.

The city has contracted with GSDC to manage SSA #3 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

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 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 a modified accrual basis.

See Independent Auditor's Report.

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

Special Service Area #3
Notes to Financial Statements - (Continued)
December 31, 2014

Note 2. Significant Accounting Policies - (Continued)

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

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 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 a 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 (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.

Cash and Cash Equivalents

All highly liquid investments with an initial maturity of three months or less, excluding amounts contained in investment portfolios, are considered to be cash equivalents.

Any 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 gain or loss. 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.

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Special Service Area #3
Notes to Financial Statements - (Continued)
December 31, 2014

Note 2. Significant Accounting Policies - (Continued)

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 of Commissioners through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the SSA Board of Commissioners. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the previously mentioned four categories.

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; SSA #3 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.

Note 3. Concentration of Revenues and Accounts Receivable

All revenues (except interest on short-term investments and interest bearing cash accounts) are received from the City of Chicago and are to be used for rehabilitating, advertising, promoting, and maintaining the defined area. 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.

All property tax receivables are shown net of allowances. As of December 31, 2014, the allowance is estimated to be approximately 15% of outstanding property taxes.

Note 4. Property Taxes

Property taxes become an enforceable lien on real property on January 1st 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 prior year billed levy (55%) and is due in March. The second installment is normally due on August 1st, or 30 days from the mailing of the tax bills if issued later than July 1st. The second installment is based on the remaining amount of the levy on file with Cook County. Bills are issued and collected by Cook County, who remits the SSA's share to the City of Chicago, who then remits funds to the SSA.

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Special Service Area #3
Notes to Financial Statements - (Continued)
December 31, 2014

Note 5. Related Party Transactions

During the normal course of business there are expenses paid on SSA #3's behalf and allocated overhead costs from GSDC to SSA #3. There was \$49,837 due to GSDC for these types of reimbursable costs at December 31, 2014.

Note 6. Litigation, Risk, and Contingencies

In the normal course of business, GSDC (including SSA #3) may be named as a defendant in various legal actions. As of April 29, 2015, 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, 2014.

Note 7. Administrative Services

Certain expenses incurred by SSA #3 are paid to GSDC as reimbursement of overhead and SSA expenses paid on the SSA's behalf by GSDC. For the year ended December 31, 2014, the total of such expenses, including payroll, was \$401,929.

Note 8. Reallocation of Budget Line Items

The Board of Commissioners formally voted on and approved all reallocation of expenses from those originally submitted in the budget provided to the City of Chicago. Under Section 5.02, Budget for Services of the Service Provider Agreement, the SSA #3 has the right to transfer funds between line items or make budget revisions that do not affect the total budget.

Note 9. Subsequent Events

GSDC management has evaluated the December 31, 2014 financial statements of SSA #3 for subsequent events affecting SSA #3 through April 29, 2015, the date the financial statements were available to be issued. GSDC is not aware of any additional subsequent events that would require recognition or disclosure in the accompanying financial statements.

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

SUPPLEMENTAL INFORMATION

**Special Service Area #3
Summary Schedule of Findings
December 31, 2014**

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 2014. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters, of which, we had no knowledge.