

**Special Service Area #59
Financial Statements and
Independent Auditor's Report**

December 31, 2015

**Special Service Area #59
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December 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Special Service Area #59
Chicago, Illinois

Report on Financial Statements

We have audited the accompanying financial statements of Special Service Area #59 (a nonprofit organization), which comprise the statement of net position and governmental funds balance sheet as of December 31, 2015, and the related statements of activities and governmental funds revenues, expenditures and changes in fund balance, and statement of revenues and expenditures – budget and actual for the year then ended, and the related notes to the financial statements. The statement of revenues and expenditures – budget and actual for the year ended December 31, 2014, has been audited by our firm and has been presented for comparative purposes as required by the City of Chicago.

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 as applied to governmental units and prescribed by the Governmental Accounting Standards Board; 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 #59 as of December 31, 2015, and the changes in its fund balance/net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Evolve Financial I

Evolve Financial I

Taxpayer Identification Number
46-3683619

May 16, 2016

Lead Auditor: Michael R. Sieczkowski II, CPA

IL License No.: 065.035219

**Special Service Area #59
Statement of Net Position and
Governmental Funds Balance Sheet
December 31, 2015**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 44,808	\$ -	\$ 44,808
Property Tax Receivable, Net of Allowance for Uncollectible Taxes of \$13,500	<u>236,495</u>	<u>-</u>	<u>236,495</u>
Total Assets	<u>\$ 281,303</u>	<u>\$ -</u>	<u>\$ 281,303</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE/NET POSITION

Due to related party	\$ 8,703	\$ -	\$ 8,703
Deferred Property Tax Revenue Inflow	196,387	(196,387)	-
Fund Balance, Unassigned	<u>76,213</u>	<u>(76,213)</u>	<u>-</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 281,303</u>		
Net Position, Restricted		<u>\$ 272,600</u>	<u>\$ 272,600</u>

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

Total fund balance - governmental funds	\$ 76,213
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.	<u>196,387</u>
Total net position - governmental activities	<u>\$ 272,600</u>

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

**Special Service Area #59
Statement of Activities and
Governmental Funds, Revenues, Expenditures and
Changes in Fund Balance
Year Ended December 31, 2015**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Tax Collections from the City of Chicago	\$ 299,975	\$ (69,910)	\$ 230,065
Interest Income	<u>6</u>	<u>-</u>	<u>6</u>
Total revenues	<u>299,981</u>	<u>(69,910)</u>	<u>230,071</u>
Expenses			
Advertising and Promotion	28,801	-	28,801
Public Way Maintenance	57,450	-	57,450
Safety programs	114,692	-	114,692
SSA Management	22,727	-	22,727
Personnel	28,644	-	28,644
Loss Collection	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>252,314</u>	<u>-</u>	<u>252,314</u>
Excess of Revenues Over Expenses	47,667	(47,667)	
Change in Fund Balance/Net Position		(22,243)	(22,243)
Fund Balance/Net Position, Beginning of Year	<u>28,546</u>	<u>266,297</u>	<u>294,843</u>
Fund Balance/Net Position, End of Year	<u>\$ 76,213</u>	<u>\$ 196,387</u>	<u>\$ 272,600</u>

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

Net change in Fund balance - governmental funds	\$ 47,667
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>(69,910)</u>
	<u>\$ (22,243)</u>

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

Special Service Area #59
Statements of Revenues and Expenditures
Budget and Actual
Years Ended December 31, 2015 and 2014

	2015			2014		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues						
Property Taxes	\$ 261,725	\$ 299,975	\$ 38,250	\$ 278,020	\$ 268,028	\$ (9,992)
Advertising and Promotion						
Website	450	-	450	-	-	-
Special Events	1,950	1,835	115	-	-	-
Decorative banners	4,950	-	4,950	20,000	-	20,000
Print materials	4,950	26,966	(22,016)	-	9,375	(9,375)
Total Advertising and Promotion	12,300	28,801	(16,501)	20,000	9,375	10,625
Public Way Maintenance and Aesthetics						
Acid etching removal and/or prevention	4,950	5,650	(700)	5,000	2,730	2,270
Facade Enhancement Program - Rebates	49,950	36,800	13,150	40,000	49,650	(9,650)
Way Finding/Signage	25,950	15,000	10,950	25,000	13,500	11,500
Supplies	-	-	-	4,000	6,934	(2,934)
Landscaping	-	-	-	4,500	-	4,500
Total Public Way Maintenance and Aesthetics	80,850	57,450	23,400	78,500	72,814	5,686
Safety programs						
Safety improvement program - rebates	29,950	16,772	13,178	30,000	19,500	10,500
Security patrol Services	64,950	97,920	(32,970)	35,000	82,248	(47,248)
Public way surveillance cameras and maintenance	-	-	-	40,000	-	40,000
Total Safety programs	94,900	114,692	(19,792)	105,000	101,748	3,252

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

Special Service Area #59
Statements of Revenues and Expenditures
Budget and Actual (Continued)
Years Ended December 31, 2015 and 2014

	2015			2014		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
SSA Management						
SSA audit	1,950	3,465	(1,515)	1,960	2,133	(173)
Bookkeeping	13,825	13,140	685	13,498	12,743	755
Office rent	2,990	3,000	(10)	3,000	3,000	-
Office utilities	95	-	95	-	291	(291)
Office supplies	95	303	(208)	820	261	559
Office equipment lease/maintenance	95	-	95	-	-	-
Office printing	1,425	-	1,425	1,930	-	1,930
Postage	1,970	-	1,970	1,974	-	1,974
Meeting expense	290	490	(200)	914	563	351
Subscriptions/dues	40	-	40	-	-	-
Equipment purchase/maintenance	990	2,329	(1,339)	1,000	746	254
Supplies	990	-	990	-	-	-
Liability/property insurance	2,990	-	2,990	3,000	-	3,000
Banking fees	-	-	-	-	185	(185)
Total SSA Management	27,745	22,727	5,018	28,096	19,922	8,174
Personnel						
Ghian Foreman, Executive Director	8,250	9,861	(1,611)	13,313	9,395	3,918
Nick Kollas, Commercial Director	5,030	6,410	(1,380)	4,318	6,126	(1,808)
Roberto Navarro, Outreach Manager	2,080	2,957	(877)	3,150	3,113	37
Elizabeth Martinez, Office Manager	1,945	2,511	(566)	1,264	2,106	(842)
Jose Navarrett, Street Cleaner	5,625	6,905	(1,280)	6,379	6,809	(430)
Total Personnel	22,930	28,644	(5,714)	28,424	27,549	875
Loss Collection						
Loss Collection (Unpaid Taxes)	23,000	-	23,000	18,000	13,500	4,500
Total Expenses	261,725	252,314	9,411	278,020	244,908	33,112
Excess of Revenues over Expenses	\$ -	\$ 47,661	\$ 47,661	\$ -	\$ 23,120	\$ 23,120

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

Special Service Area #59
Notes to Financial Statements
December 31, 2015

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 #59 (SSA #59) 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: both sides of 59th Street from the west side of Bell Street to the east side of Spaulding Street; the south side of 59th Street from the west side of Spaulding Street to the east side of Homen Avenue; the west side of Bell Street from the north side of 59th Street to the north side of 61st Street; both sides of Western Avenue from the south side of 56th Street to the north side of 60th Street; the east side of Western Avenue from 59th Street to one parcel north of 61st Street; both sides of Kedzie Avenue from the north side of 60th Street to the south side of 57th Street.

The city has contracted with GSDC to manage SSA #59 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 #59
Notes to Financial Statements - (Continued)
December 31, 2015

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 #59 maintains its cash in various bank deposit accounts, which, at times, may exceed federally insured limits. SSA #59 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 #59
Notes to Financial Statements - (Continued)
December 31, 2015

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 #59 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 #59 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, 2015, the allowance is estimated to be approximately 5% 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 #59
Notes to Financial Statements - (Continued)
December 31, 2015

Note 5. Related Party Transactions

During the normal course of business there are expenses paid on SSA #59's behalf and allocated overhead costs from GSDC to SSA #59. There was \$8,703 due to GSDC for these types of reimbursable costs at December 31, 2015.

Certain expenses incurred by SSA #59 are paid to GSDC as reimbursement of overhead. For the year ended December 31, 2015, the total of such expenses, including payroll, was \$44,784.

Note 6. Litigation, Risk, and Contingencies

In the normal course of business, GSDC (including SSA #59) may be named as a defendant in various legal actions. As of May 16, 2016, 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 #59 financial statements at December 31, 2015.

Note 7. Subsequent Events

GSDC management has evaluated the December 31, 2015 financial statements of SSA #59 for subsequent events affecting SSA #59 through May 16, 2016, 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 #59
Summary Schedule of Findings
December 31, 2015**

2014 Finding

On December 29, 2014, SSA #59 advanced \$26,000 to Greater Southwest Development Corporation ("GSDC"), to fund GSDC's payroll. This amount was subsequently repaid to SSA #59 on January 9, 2015. While the funds were repaid by GSDC to SSA #59 in a timely manner, we suggested that in the future funds are not advanced from the SSA to fund GSDC operations.

Update of 2014 Finding and Corrective Action

It was noted during the 2015 audit that SSA #59 did not advance any funds to GSDC during the year as it had prior to December 31, 2014. GSDC management stated that the lending of funds from SSA #59 to GSDC is now strictly prohibited as outlined by the SSA agreement between the City of Chicago and Greater Southwest Development Corporation.

It appears that management has taken the appropriate steps to ensure that the 2014 finding was properly resolved.

2015 Results

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 #59 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 2015. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters, of which, we had no knowledge.