

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

**December 31, 2014**

**Special Service Area #59  
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December 31, 2014**

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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 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 #59 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 #59 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 #59 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 #59  
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	\$ 26,837	\$ -	\$ 26,837
Property Tax Receivable, Net of Allowance for Uncollectible Taxes of \$13,500	255,398	-	255,398
Due from SSA Manager	18,992	-	18,992
Total Assets	\$ 301,227	\$ -	\$ 301,227

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE/NET POSITION

Accounts payable and accrued expenses	\$ 6,384	\$ -	\$ 6,384
Deferred Property Tax Revenue Inflow	266,297	(266,297)	-
Fund Balance, Unassigned	28,546	(28,546)	-
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 301,227		
Net Position, Restricted		\$ (294,843)	\$ 294,843

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

Total fund balance - governmental funds	\$ 28,546
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.	266,297
Total net position - governmental activities	\$ 294,843

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, 2014**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Tax Collections from the City of Chicago	<u>\$ 268,028</u>	<u>\$ (11,722)</u>	<u>\$ 256,306</u>
<b>Expenses</b>			
Advertising and Promotion	9,375	-	9,375
Public Way Maintenance	10,410	-	10,410
Façade improvements	63,150	-	63,150
Safety programs	101,748	-	101,748
Personnel	40,292	-	40,292
Admin Non-Personnel	<u>6,433</u>	<u>-</u>	<u>6,433</u>
Total expenses	<u>244,908</u>	<u>-</u>	<u>244,908</u>
Excess of Revenues Over Expenses	23,120	(23,120)	
Change in Fund Balance/Net Position		11,398	11,398
Fund Balance/Net Position, Beginning of Year	<u>5,426</u>	<u>278,019</u>	<u>283,445</u>
Fund Balance/Net Position, End of Year	<u>\$ 28,546</u>	<u>\$ 266,297</u>	<u>\$ 294,843</u>

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

Net change in Fund balance - governmental funds	\$ 23,120
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>(11,722)</u>
	<u>\$ 11,398</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, 2014 and 2013**

	2014		2013		
	Budget	Actual	Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>					
Property Taxes	\$ 298,519	\$ 268,028	\$ 290,000	\$ 277,910	\$ (12,090)
<b>Advertising and Promotion</b>					
1.05 Print materials	500	9,375	15,000	-	15,000
1.06 Holiday/Seasonal Promotions	500	-	20,000	-	20,000
<b>Total Advertising and Promotion</b>	<u>1,000</u>	<u>9,375</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
<b>Public Way Maintenance</b>					
2.04 Acid etching removal and/or prevention	10,000	2,730	10,000	3,859	6,141
2.05 Equipment purchase/maintenance	1,000	746	5,000	-	5,000
2.06 Supplies	4,000	6,934	10,000	254	9,746
<b>Total Public Way Maintenance</b>	<u>15,000</u>	<u>10,410</u>	<u>25,000</u>	<u>4,113</u>	<u>20,887</u>
<b>Public Way Aesthetics</b>					
3.02 Decorative Banners and/or Holiday Decorations	20,000	-	-	-	-
3.05 Landscaping (plants, watering, etc.)	4,500	-	-	-	-
3.09 Liability/Property Insurance	3,000	-	3,000	-	3,000
<b>Total Public Way Aesthetics</b>	<u>27,500</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<b>Façade improvements</b>					
5.01 Façade enhancement program - rebates	40,000	49,650	50,000	52,957	(2,957)
5.02 Awning program - rebates	25,000	13,500	30,000	28,500	1,500
<b>Total Façade improvements</b>	<u>65,000</u>	<u>63,150</u>	<u>80,000</u>	<u>81,457</u>	<u>(1,457)</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, 2014 and 2013**

	2014		2013	
Safety programs				
7.01 Public Way Surveillance Cameras/Maintenance	40,000	-	40,000	
7.02 Security services	35,000	82,248	(47,248)	18,750
7.03 Safety improvement program - rebates	30,000	19,500	10,500	(69,250)
Total Safety programs	105,000	101,748	3,252	(50,500)
SSA District Planning				
8.01 SSA Designation	-	-	-	(17,845)
Personnel				
10.01 Ghian Foreman - Executive Director	13,313	9,395	3,918	-
10.02 Nick Kollias - Commercial Director	4,318	6,126	(1,808)	-
10.03 Melinda Lambert - Financial Manager	13,498	12,743	755	-
10.04 Robert Navarro - Outreach Manager	3,150	3,113	37	-
10.05 Jose Navarette - Street Sweeper	6,379	6,809	(430)	-
10.06 Z. Elizabeth Martinez - Office Manager	1,264	2,106	(842)	23,000
Total Personnel	41,922	40,292	1,630	23,000
Admin Non-Personnel				
11.02 SSA audit	1,960	2,133	(173)	800
11.04 Office Rent	3,000	3,000	-	-
11.05 Office Utilities	-	291	(291)	-
11.06 Office supplies	820	261	559	513
11.08 Office printing	1,930	-	1,930	2,000
11.09 Postage	1,974	-	1,974	2,000
11.10 Meeting expense	913	563	350	1,000
11.12 Banking Fees	-	185	(185)	649
Total Admin Non-Personnel	10,597	6,433	4,164	5,936
		8,000		2,064
				47,845
				100,500
				(50,500)

See Independent Auditor's Report.  
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**Special Service Area #59**  
**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)	18,000	13,500	18,000	-
Late Collections and Interest Income Thereon				
13.01 5% of last year's levy for Late Collections and Interest Income Thereon	14,500	-	-	-
	298,519	244,908	290,000	253,979
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 23,120</b>	<b>\$ -</b>	<b>\$ 23,931</b>
<b>Excess of Revenues over Expenses</b>				
		<b>\$ 23,120</b>	<b>\$ 23,120</b>	<b>\$ 23,931</b>
			<b>18,000</b>	<b>18,000</b>
				<b>36,021</b>
				<b>\$ 23,931</b>

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, 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 #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, 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 #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, 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 #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, 2014, 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 1<sup>st</sup> 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 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 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, 2014**

**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 \$7,008 due to GSDC for these types of reimbursable costs at December 31, 2014.

SSA #59 advanced GSDC \$26,000 for its December 31, 2014 payroll on December 29, 2014. GSDC repaid the SSA these funds on January 9, 2015.

The net amount due from GSDC reported in the statement of net position and governmental funds balance sheet is \$18,992 at December 31, 2014.

**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 April 15, 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 #59 financial statements at December 31, 2014.

**Note 7. Administrative Services**

Certain expenses incurred by SSA #59 are paid to GSDC as reimbursement of overhead. For the year ended December 31, 2014, the total of such expenses, including payroll, was \$113,378.

**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 #59 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 #59 for subsequent events affecting SSA #59 through April 15, 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 #59  
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 #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, we noted that the property tax collections are the property of the City of Chicago, and that all tax collections are required to be expended for the intended use of the SSA.

As discussed in Note 5, during the normal course of business, GSDC, the SSA Manager, routinely pays expenses on behalf of SSA #59 and there are overhead costs that GSDC allocates to SSA #59. There was \$113,378 of reimbursed costs and allocated overhead charged from GSDC to SSA #59 during the year ended December 31, 2014, with \$7,008 due to GSDC for these types of reimbursable costs at December 31, 2014.

On December 29, 2014, SSA #59 advanced \$26,000 to 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 suggest that in the future funds are not advanced from the SSA to fund GSDC operations. We suggest that GSDC and SSA #59 obtain individual lines of credit to avoid the need of advancing each other funds in times of short-term cash flow needs.

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