

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

**December 31, 2013**

**Special Service Area #3  
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December 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
Special Service Area #3  
Chicago, Illinois

We have audited the accompanying statements of assets, liabilities and excess of assets over liabilities of Special Service Area #3 as of December 31, 2013, and the related statement of revenues, expenses and excess of expenses over revenues for the year then ended. These financial statements are the responsibility of the Special Service Area #3'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 that 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The above noted financial statements are intended to present the operations of Special Service Area #3 in the manner and according to the accounting requirements outlined by the City of Chicago, as described in Note 2 of the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and excess of assets over liabilities of Special Service Area #3 as of December 31, 2013, and the revenues, expenses and excess of expenses over revenue for the year then ended in conformity with accounting requirements outlined by the City of Chicago, as described in Note 2 of the financial statements.

The supplemental information contained in the 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.

*Evolve Financial*

Evolve Financial

Taxpayer Identification Number  
46-3683619

April 30, 2014

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

**Special Service Area #3**  
**Statement of Assets, Liabilities and Excess of Assets Over Liabilities**  
**December 31, 2013**

ASSETS

Cash and cash equivalents	\$ 22,180
Due from Greater Southwest Corporation	<u>38,937</u>
 Total Assets	 <u><u>\$ 61,117</u></u>

LIABILITIES AND EXCESS OF ASSETS OVER LIABILITIES

Accounts Payable	\$ 24,960
Due to SSA #59	5,415
Excess of assets over liabilities	<u>30,742</u>
	 <u><u>\$ 61,117</u></u>

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

**Special Service Area #3**  
**Statement of Revenues, Expenses and Excess of Expenses Over Revenues**  
**Year Ended December 31, 2013**

	Budget	Actual
<b>Revenues</b>		
Tax Collections from the City of Chicago	\$ 894,468	\$ 818,513
Interest earned	-	1,152
Total Revenues	894,468	819,665
 <b>Expenses</b>		
Advertising and Promotion	238,979	238,642
Public Way Maintenance	36,497	35,845
Public Way Aesthetics	182,800	182,608
Tenant retention/attraction	88,444	88,289
Façade improvements	87,402	87,165
Safety programs	480,956	480,879
SSA District Planning	38,700	38,688
Other Technical Assistance	183,500	183,464
Personnel	263,202	262,503
Admin Non-Personnel	71,152	70,902
Loss Collection	120,493	51,291
Total expenses	1,792,125	1,720,276
 <b>Excess of expenses over revenues</b>		
and change in excess assets over liabilities	\$ (897,657)	(900,611)
 <b>Excess of assets over liabilities, beginning of year (carryover)</b>		
before prior period adjustment		1,087,751
 <b>Prior Period adjustment to decrease beginning assets over liabilities</b>		
		(156,398)
 <b>Excess of assets over liabilities, beginning of year (carryover)</b>		
subsequent to prior period adjustment		931,353
 <b>Excess of assets over liabilities, end of year (carryover)</b>		
		\$ 30,742

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, 2013**

**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**

*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 activities of SSA #3. No other assets, liabilities, revenues or expenses of GSDC are reported therein.

Presentation of these financial statements is governed by the requirements of the City of Chicago and is prepared on the other comprehensive basis of accounting (OCBOA), 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 budgeted accounts. Accordingly, these financial statements are not in conformity with GAAP.

**Special Service Area #3**  
**Notes to Financial Statements - (Continued)**  
**December 31, 2013**

**Note 2. Significant Accounting Policies - (Continued)**

*Basis of Presentation - (Continued)*

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 previously outlined in Note 1 and may be claimed and/or withdrawn from use by the city at its discretion.

*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.

*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. The allocated tax collections during 2013 were \$894,468. 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.



**Special Service Area #3**  
**Notes to Financial Statements - (Continued)**  
**December 31, 2013**

**Note 4. Due From Greater Southwest Corporation**

There was a cash advance to GSDC in the amount of \$38,937 at December 31, 2013. This balance has since been repaid to SSA #3 subsequent to December 31, 2013, and as of the issuance of this report, April 18, 2014.

**Note 5. 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 18, 2014, 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, 2013.

**Note 6. Administrative Services**

Certain expenses incurred by SSA #3 are paid to GSDC and SSA #59 as reimbursement of overhead. For the year ended December 31, 2013, the total of such expenses, including payroll, was \$333,405.

**Note 7. Prior Period Adjustment - Decrease in Assets Over Liabilities**

GSDC management discovered that there were certain overhead and personnel charges GSDC was entitled to previously charge SSA #3 under the City of Chicago's budget guidelines that were not allocated in previous years. The total prior period adjustment related to these previously unallocated fees was a decrease in assets over liabilities of \$156,398 at December 31, 2012.

**Note 8. Subsequent Events**

GSDC management has evaluated the December 31, 2013 financial statements of SSA #3 for subsequent events affecting SSA #3 through April 18, 2014, 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 other than that as mentioned in Note 4 relating to the repayment of the affiliate receivable.

**SUPPLEMENTAL INFORMATION**

**Special Service Area #3**  
**Schedule of Expenses - Budget to Actual**  
**Year Ended December 31, 2013**

	<u>Budget</u>	<u>Actual</u>
Advertising and Promotion		
1.01 Website and/or social media	\$ 6,000	\$ 5,700
1.03 Special events	78,600	78,581
1.04 Display advertising	30,700	30,682
1.05 Print materials	35,200	35,200
1.06 Promotional items	81,779	81,779
1.07 Other: Holiday and seasonal promotions	<u>6,700</u>	<u>6,700</u>
 Total Advertising and Promotion	 <u>238,979</u>	 <u>238,642</u>
 Public Way Maintenance		
2.04 Acid etching removal and/or prevention	480	-
2.05 Equipment purchase/maintenance	22,500	22,400
2.06 Supplies	5,517	5,445
2.08 Liability/property insurance	<u>8,000</u>	<u>8,000</u>
 Total Public Way Maintenance	 <u>36,497</u>	 <u>35,845</u>
 Public Way Aesthetics		
3.01 Streetscape elements	100	-
3.02 Decorative banners and/or holiday decorations	84,750	84,710
3.05 Landscaping	59,150	59,104
3.10 Greenery decorations	11,700	11,700
3.11 Community tours	<u>27,100</u>	<u>27,094</u>
 Total public way aesthetics	 <u>182,800</u>	 <u>182,608</u>
 Tenant retention/attraction		
4.01 Data collection	1,000	1,000
4.02 Site marketing	29,844	29,844
4.03 Pre-development services	25,000	25,000
4.04 Consumer marketing assistance	15,400	15,321
4.05 Marketing-retail consultant	<u>17,200</u>	<u>17,124</u>
 Total Tenant retention/attraction	 <u>88,444</u>	 <u>88,289</u>

**Special Service Area #3**  
**Schedule of Expenses - Budget to Actual - (Continued)**  
**Year Ended December 31, 2013**

	Budget	Actual
Façade improvements		
5.01 Façade enhancement program - rebates	65,152	64,915
5.02 Awning program - rebates	22,250	22,250
Total Façade improvements	87,402	87,165
Safety programs		
7.01 Security services	452,940	452,880
7.02 Safety improvement program - rebates	28,016	27,999
Total Safety programs	480,956	480,879
SSA District Planning		
8.05 Economic impact study	38,700	38,688
Other Technical Assistance		
9.01 Wifi District Infrastructure/maintenance	183,500	183,464
Personnel		
10.01 Ghian Foreman - Executive Director	13,330	13,330
10.02 Nick Kollias - Commercial Director	86,196	86,196
10.03 Christine James - Director of Commercial & Technology Services	7,376	6,885
10.04 Melinda Lambert - Finance Director	9,115	9,115
10.05 Caitlin Gath - Marketing Assistant	19,459	19,459
10.06 Robert Navarro - Business Resource Director	65,125	65,125
10.07 Jose Navarrete - Street Sweeper	44,211	44,211
10.08 Street Sweeper II - TBA	64	-
10.09 Youth Coordinator - TBA	18,182	18,182
10.10 Youth Coordinator - TBA	144	-
Total Personnel	263,202	262,503

**Special Service Area #3**  
**Schedule of Expenses - Budget to Actual - (Continued)**  
**Year Ended December 31, 2013**

	Budget	Actual
Admin Non-Personnel		
11.01 SSA annual report	7,479	7,479
11.02 SSA audit	6,500	6,500
11.04 Office rent	2,479	2,479
11.05 Office utilities	11,549	11,549
11.06 Office supplies	5,020	5,020
11.07 Office equipment lease/maintenance	115	-
11.08 Office printing	10,880	10,880
11.09 Postage	1,575	1,575
11.10 Meeting expense	2,675	2,675
11.11 Subscriptions/dues	2,378	2,343
11.12 Banking fees	100	-
11.14 Other: Seminars and travel	4,970	4,970
11.15 Other: Office cleaning and other maintenance	15,432	15,432
Total Admin Non-Personnel	71,152	70,902
Loss Collection		
12.01 Loss Collection (Unpaid Taxes)	120,493	51,291
Totals	\$ 1,792,125	\$ 1,720,276

**Special Service Area #3  
Summary Schedule of Findings  
December 31, 2013**

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 2013. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters, of which, we had no knowledge.