

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

**December 31, 2018 and 2017**

**Special Service Area #3  
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December 31, 2018 and 2017**

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## 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 organization), which comprise the statements of net position and governmental funds balance sheets as of December 31, 2018 and 2017, 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 years 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 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 audits. We conducted our audits 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, 2018 and 2017, and the changes in its fund balance/net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Evolve Financial I

Taxpayer Identification Number  
46-3683619

April 26, 2019

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



**Special Service Area #3  
Statements of Net Position and  
Governmental Funds Balance Sheets  
December 31, 2018 and 2017**

	2018		2017	
	Governmental Funds	Adjustments	Governmental Funds	Adjustments
				Statement of Net Position
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,265	\$ -	\$ 30,747	\$ 30,747
Interest Receivable	-	-	10	10
Property Tax Levy Receivable, Net of Allowance for Uncollectible Taxes of \$100,000	1,217,859	-	1,162,237	1,162,237
Total Assets	<u>\$ 1,248,124</u>	<u>\$ -</u>	<u>\$ 1,192,994</u>	<u>\$ 1,192,994</u>

**LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE/NET POSITION**

Due to SSA Service Provider	\$ 12,259	\$ -	\$ 17,041	\$ 17,041
Accounts Payable	14,000	-	2,074	2,074
Deferred Property Tax Revenue Inflow	1,200,172	(1,200,172)	1,079,346	(1,079,346)
Fund Balance, Unassigned	21,693	(21,693)	94,533	(94,533)
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,248,124</u>	<u>\$ (1,221,865)</u>	<u>\$ 1,192,994</u>	<u>\$ (1,173,879)</u>
Net Position, Restricted				<u>\$ 1,173,879</u>

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

Total fund balance - governmental funds	\$ 21,693	\$ 94,533
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>1,200,172</u>	<u>1,079,346</u>
Total net position - governmental activities	<u>\$ 1,221,865</u>	<u>\$ 1,173,879</u>

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

**Special Service Area #3**  
**Statements of Activities and**  
**Governmental Funds, Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Years Ended December 31, 2018 and 2017**

	2018		2017			
	Governmental Funds	Adjustments	Statement of Activities	Governmental Funds	Adjustments	Statement of Activities
<b>Revenues</b>						
Tax Collections from the City of Chicago	\$ 1,057,614	\$ 120,826	\$ 1,178,440	\$ 1,156,922	\$ (240,524)	\$ 916,398
Interest Revenue	177	-	177	57	-	57
<b>Total Revenues</b>	<b>1,057,791</b>	<b>120,826</b>	<b>1,178,617</b>	<b>1,156,979</b>	<b>(240,524)</b>	<b>916,455</b>
<b>Expenses</b>						
Advertising and Promotion	282,839	-	282,839	299,506	-	299,506
Public Way Aesthetics	120,238	-	120,238	140,218	-	140,218
Economic/Business Development	51,011	-	51,011	41,159	-	41,159
Safety programs	398,278	-	398,278	389,121	-	389,121
Personnel	213,959	-	213,959	224,800	-	224,800
Admin Non-Personnel	64,306	-	64,306	61,708	-	61,708
<b>Total expenses</b>	<b>1,130,631</b>	<b>-</b>	<b>1,130,631</b>	<b>1,156,512</b>	<b>-</b>	<b>1,156,512</b>
<b>Excess of Revenues Over Expenses</b>	<b>(72,840)</b>	<b>72,840</b>	<b>47,986</b>	<b>467</b>	<b>(467)</b>	<b>(240,057)</b>
(Excess of Expenses Over Revenues)						
<b>Change in Fund Balance/Net Position</b>						
Fund Balance/Net Position, Beginning of Year	94,533	1,079,346	1,173,879	94,066	1,319,870	1,413,936
Fund Balance/Net Position, End of Year	\$ 21,693	\$ 1,200,172	\$ 1,221,865	\$ 94,533	\$ 1,079,346	\$ 1,173,879

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

Net change in Fund balance - governmental funds	\$ (72,840)	\$ 467
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	120,826	(240,524)
	\$ 47,986	\$ (240,057)

See Independent Auditor's Report.  
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**Special Service Area #3**  
**Statements of Revenues and Expenditures**  
**Budget and Actual**  
**Years Ended December 31, 2018 and 2017**

	2018		2017		Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
<b>Revenues</b>					
Property Taxes	\$ 1,255,994	\$ 1,057,614	\$ 1,319,870	\$ 1,156,922	\$ (162,948)
Interest	-	177	-	57	57
<b>Total Revenues</b>	<b>1,255,994</b>	<b>1,057,791</b>	<b>1,319,870</b>	<b>1,156,979</b>	<b>(162,891)</b>
<b>Advertising and Promotion</b>					
Website and/or social media	1,000	602	50,000	52,384	(2,384)
Special events	15,000	5,435	60,000	12,987	47,013
Free Wi-Fi Program	48,000	48,000	-	-	-
Social media outreach	16,500	16,500	17,000	-	17,000
Decorative banners	14,000	-	25,000	2,328	22,672
Holiday decorations	39,000	15,980	50,000	21,000	29,000
Display advertising	94,000	88,492	98,000	89,987	8,013
Print materials	90,000	83,764	85,000	85,874	(874)
Holiday/Seasonal promotions	27,000	24,066	31,000	34,946	(3,946)
Technical/Marketing assistance	12,000	-	10,500	-	10,500
<b>Total Advertising and Promotion</b>	<b>356,500</b>	<b>282,839</b>	<b>426,500</b>	<b>299,506</b>	<b>126,994</b>
<b>Public Way Aesthetics</b>					
Acid etching removal and/or prevention	3,499	-	5,500	268	5,232
Landscaping (plants, watering, etc.)	55,000	47,282	62,000	54,331	7,669
Façade enhancement program	55,000	23,344	89,320	29,650	59,670
Way Finding/Signage	36,000	12,650	40,000	17,580	22,420
Public Art	1,000	-	1,000	-	1,000
Maintenance (Street-sweeping)	38,131	36,962	37,566	38,389	(823)
<b>Total Public Way Aesthetics</b>	<b>188,630</b>	<b>120,238</b>	<b>235,386</b>	<b>140,218</b>	<b>95,168</b>

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 - (Continued)  
Years Ended December 31, 2018 and 2017**

	2018			2017		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Economic/Business Development						
Site Marketing (materials, services, etc.)	-	-	-	5,000	-	5,000
Wi-Fi District infrastructure/maintenance	-	2,804	(2,804)	-	2,734	(2,734)
Pre-Development services	20,000	36,000	(16,000)	20,000	24,300	(4,300)
Technical/Marketing assistance	-	12,207	(12,207)	-	14,125	(14,125)
Total Economic/Business Development	20,000	51,011	(31,011)	25,000	41,159	(16,159)
Safety programs						
Security services	355,000	341,475	13,525	400,000	352,413	47,587
Safety improvement program - rebates	35,000	56,803	(21,803)	53,216	36,708	16,508
Total Safety programs	390,000	398,278	(8,278)	453,216	389,121	64,095
Personnel						
Ghian Foreman - Executive Director	13,776	15,814	(2,038)	13,226	13,887	(661)
Nick Kollias - Commercial Director	84,977	85,251	(274)	80,220	85,458	(5,238)
Melinda Lambert - Financial Manager	13,827	15,244	(1,417)	13,827	14,738	(911)
Robert Navarro - Outreach Manager	57,722	39,257	18,465	59,591	53,470	6,121
Elizabeth Martinez - Office Manager	31,239	36,622	(5,383)	21,434	31,245	(9,811)
Christine James - Director of Comm & Tech Services	9,003	9,021	(18)	7,248	9,088	(1,840)
Summer Intern	-	12,750	(12,750)	-	16,914	(16,914)
Total Personnel	210,544	213,959	(3,415)	195,546	224,800	(29,254)

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 - (Continued)  
Years Ended December 31, 2018 and 2017**

	2018			2017		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Admin Non-Personnel						
SSA audit	5,600	5,600	-	5,600	5,600	-
Office Rent	24,000	3,073	20,927	24,000	5,588	18,412
Office Utilities	18,200	10,597	7,603	18,200	13,400	4,800
Office supplies	14,700	2,270	12,430	14,700	1,926	12,774
Office Equipment Lease/Maintenance	2,600	426	2,174	2,600	459	2,141
Office printing	23,560	10,431	13,129	24,560	9,924	14,636
Postage	2,726	1,405	1,321	3,726	1,245	2,481
Meeting expense	300	312	(12)	300	544	(244)
Subscriptions/Dues	100	960	(860)	100	2,030	(1,930)
Equipment purchase/maintenance	12,000	6,090	5,910	12,500	9,406	3,094
Supplies	1,200	1,323	(123)	1,200	1,823	(623)
Liability/Property Insurance	8,000	8,494	(494)	8,000	8,140	(140)
Other: Mileage, Air Travel, Workshops	-	21	(21)	-	-	-
Other: Admin support	-	13,304	(13,304)	-	1,623	(1,623)
Total Admin Non-Personnel	112,986	64,306	48,680	115,486	61,708	53,778
Loss Collection						
Loss Collection (Unpaid Taxes)	65,254	-	65,254	104,087	-	104,087
Total Expenses	1,343,914	1,130,631	213,283	1,555,221	1,156,512	398,709
Revenues over Expenses (Expenses over Revenues)	\$ (87,920)	\$ (72,840)	\$ 15,080	\$ (235,351)	\$ 467	\$ 235,818

See Independent Auditor's Report.  
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**Special Service Area #3**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**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 (the Service Provider). 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.

**Special Service Area #3**  
**Notes to Financial Statements - (Continued)**  
**December 31, 2018 and 2017**

**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.

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.



**Special Service Area #3**  
**Notes to Financial Statements - (Continued)**  
**December 31, 2018 and 2017**

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

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, Accounts Receivable, and Carryforward**

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. The allowance is estimated to be approximately 7% and 8% of outstanding property taxes at December 31, 2018 and 2017, respectively.

Revenues over expenses for the years ended December 31, 2018 and 2017, used as the carryforward amounts by the City for the 2020 and 2019 budgets were \$0 and \$467, respectively.

**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.

**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 \$12,259 and \$17,041 due to GSDC for these types of reimbursable costs at December 31, 2018 and 2017, respectively.

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 years ended December 31, 2018 and 2017, the total of such expenses, including payroll, was \$345,068 and \$371,127, respectively.

**Special Service Area #3**  
**Notes to Financial Statements - (Continued)**  
**December 31, 2018 and 2017**

**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 26, 2019, 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, 2018 and 2017.

**Note 7. 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 8. Subsequent Events**

GSDC management has evaluated the December 31, 2018 and 2017, financial statements of SSA #3 for subsequent events affecting SSA #3 through April 26, 2019, 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.

**SUPPLEMENTAL INFORMATION**



**Special Service Area #3  
Summary Schedule of Findings  
December 31, 2018 and 2017**

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 2018 and 2017. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters, of which, we had no knowledge.

# State of Illinois

## Department of Financial and Professional Regulation Division of Professional Regulation

LICENSE NO.  
065.035219

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:  
09/30/2021



### LICENSED CERTIFIED PUBLIC ACCOUNTANT

MICHAEL R SIECZKOWSKI II  
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104  
ARLINGTON HEIGHTS, IL 60004



DEBORAH HAGAN  
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