

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

December 31, 2016

**Special Service Area #3
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December 31, 2016**

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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 statement of net position and governmental funds balance sheet as of December 31, 2016, 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, 2015, 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 #3 as of December 31, 2016, 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.

A handwritten signature in blue ink that reads "Evolve Financial I". The signature is written in a cursive, flowing style.

Evolve Financial I

Taxpayer Identification Number
46-3683619

May 1, 2017

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, 2016**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 142,239	\$ -	\$ 142,239
Interest Receivable	11	-	11
Property Tax Levy Receivable, Net of Allowance for Uncollectible Taxes of \$100,000	<u>1,319,508</u>	<u>-</u>	<u>1,319,508</u>
Total Assets	<u>\$ 1,461,758</u>	<u>\$ -</u>	<u>\$ 1,461,758</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE/NET POSITION

Due to SSA Manager	\$ 47,822	-	\$ 47,822
Deferred Property Tax Revenue Inflow	1,319,870	(1,319,870)	-
Fund Balance, Unassigned	<u>94,066</u>	<u>(94,066)</u>	<u>-</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,461,758</u>		
Net Position, Restricted		<u>\$ (1,413,936)</u>	<u>\$ 1,413,936</u>

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

Total fund balance - governmental funds	\$ 94,066
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>1,319,870</u>
Total net position - governmental activities	<u>\$ 1,413,936</u>

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, 2016**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Tax Collections from the City of Chicago	\$ 1,193,513	\$ 166,325	\$ 1,359,838
Interest Revenue	<u>37</u>	<u>-</u>	<u>37</u>
Total Revenues	<u>1,193,550</u>	<u>166,325</u>	<u>1,359,875</u>
Expenses			
Advertising and Promotion	273,142	-	273,142
Public Way Aesthetics	141,669	-	141,669
Economic/Business Development	83,900	-	83,900
Safety programs	347,366	-	347,366
Personnel	249,141	-	249,141
Admin Non-Personnel	<u>75,666</u>	<u>-</u>	<u>75,666</u>
Total expenses	<u>1,170,884</u>	<u>-</u>	<u>1,170,884</u>
Excess of Revenues Over Expenses	22,666	(22,666)	
Change in Fund Balance/Net Position		188,991	188,991
Fund Balance/Net Position, Beginning of Year	<u>71,400</u>	<u>1,153,545</u>	<u>1,224,945</u>
Fund Balance/Net Position, End of Year	<u>\$ 94,066</u>	<u>\$ 1,319,870</u>	<u>\$ 1,413,936</u>

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

Net change in Fund balance - governmental funds	\$ 22,666
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>166,325</u>
	<u>\$ 188,991</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, 2016 and 2015

	2016			2015		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues						
Property Taxes	\$ 1,177,335	\$ 1,193,513	\$ 16,178	\$ 1,190,186	\$ 1,180,826	\$ (9,360)
Interest	-	37	37	-	34	34
Total Revenues	1,177,335	1,193,550	16,215	1,190,186	1,180,860	(9,326)
Advertising and Promotion						
Website and/or social media	1,000	-	1,000	1,000	-	1,000
Special events	80,000	29,389	50,611	30,000	40,034	(10,034)
Social media outreach	2,000	206	1,794	2,000	1,815	185
Decorative banners	12,000	21,040	(9,040)	12,000	5,781	6,219
Holiday decorations	11,000	15,900	(4,900)	11,000	-	11,000
Display advertising	77,000	87,247	(10,247)	77,000	77,583	(583)
Print materials	85,000	76,789	8,211	45,000	45,883	(883)
Holiday/Seasonal promotions	35,000	42,571	(7,571)	35,000	34,553	447
Technical/Marketing assistance	12,000	-	12,000	9,000	-	9,000
Community tours	9,000	-	9,000	9,000	-	9,000
Total Advertising and Promotion	324,000	273,142	50,858	231,000	205,649	25,351
Public Way Aesthetics						
Acid etching removal and/or prevention	1,500	-	1,500	1,500	900	600
Landscaping (plants, watering, etc.)	50,000	60,520	(10,520)	50,000	43,345	6,655
Façade enhancement program	58,000	69,149	(11,149)	57,990	41,631	16,359
Way Finding/Signage	20,000	12,000	8,000	20,000	20,760	(760)
Public Art	1,000	-	1,000	-	-	-
Total Public Way Aesthetics	130,500	141,669	(11,169)	129,490	106,636	22,854

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, 2016 and 2015

	2016		2015	
Economic/Business Development				
Site Marketing (materials, services, etc.)	5,000	4,860	25,005	24,502
Wi-Fi District infrastructure/maintenance	55,000	53,264	25,000	57,038
Pre-Development services	10,000	12,000	10,000	-
Technical/Marketing assistance	-	13,776	-	9,097
		<u>(13,776)</u>		<u>(9,097)</u>
Total Economic/Business Development	<u>70,000</u>	<u>83,900</u>	<u>60,005</u>	<u>90,637</u>
		<u>(13,900)</u>		<u>(30,632)</u>
Safety programs				
Security services	271,240	309,700	350,000	192,217
Safety improvement program - rebates	35,000	37,666	35,000	38,226
		<u>(2,666)</u>		<u>(3,226)</u>
Total Safety programs	<u>306,240</u>	<u>347,366</u>	<u>385,000</u>	<u>230,443</u>
		<u>(41,126)</u>		<u>154,557</u>
Personnel				
Ghian Foreman - Executive Director	13,226	13,532	13,226	14,039
Nick Kollias - Commercial Director	80,220	83,338	80,220	84,896
Melinda Lambert - Financial Manager	13,827	14,149	13,827	14,027
Robert Navarro - Outreach Manager	58,591	55,937	58,591	56,063
Jose Navarette - Street Sweeper	37,566	37,390	37,566	38,954
Z. Elizabeth Martinez - Office Manager	21,434	24,558	21,434	27,485
Christine James - Director of Comm & Tech Services	7,248	8,237	7,248	7,805
Summer Intern	5,000	12,000	5,000	7,322
		<u>(7,000)</u>		<u>(2,322)</u>
Total Personnel	<u>237,112</u>	<u>249,141</u>	<u>237,112</u>	<u>250,591</u>
		<u>(12,029)</u>		<u>(13,479)</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 - (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Admin Non-Personnel		
SSA audit	5,600	5,600
Office Rent	24,000	24,000
Office Utilities	18,200	18,200
Office supplies	14,700	14,700
Office Equipment Lease/Maintenance	2,600	2,600
Office printing	23,560	23,560
Postage	2,726	2,726
Meeting expense	300	300
Subscriptions/Dues	100	100
Equipment purchase/maintenance	12,000	12,000
Supplies	1,200	1,200
Liability/Property Insurance	8,000	8,000
Other: Mileage, Air Travel, Workshops	-	-
Other: Admin support	-	-
	2,000	2,000
	(962)	(962)
	18,783	18,783
	(707)	(707)
	10,249	10,249
	2,532	2,532
	12,710	12,710
	1,181	1,181
	(546)	(546)
	(1,954)	(1,954)
	298	298
	(2,195)	(2,195)
	268	268
	(337)	(337)
	(2,000)	(2,000)
Total Admin Non-Personnel	112,986	112,986
Loss Collection		
Loss Collection (Unpaid Taxes)	65,245	71,616
Total Expenses	1,246,083	1,227,209
Revenues over Expenses (Expenses over Revenues)	\$ (68,748)	\$ (37,023)
	\$ 22,666	\$ 131,264
	\$ 91,414	\$ 168,287
	75,199	177,613
	65,245	(28,384)
	37,320	47,346
	75,666	65,640
	-	100,000
	1,170,884	1,049,596
	-	-

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, 2016**

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.

Special Service Area #3
Notes to Financial Statements - (Continued)
December 31, 2016

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.

Special Service Area #3
Notes to Financial Statements - (Continued)
December 31, 2016

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, 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. As of December 31, 2016, the allowance is estimated to be approximately 7% of outstanding property taxes.

Revenues over expenses for the year ended December 31, 2016, to be used as the carryforward amount by the City for the 2018 budget is \$22,666.

Special Service Area #3
Notes to Financial Statements - (Continued)
December 31, 2016

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.

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 \$47,822 due to GSDC for these types of reimbursable costs at December 31, 2016.

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 May 1, 2017, 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, 2015.

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, 2016, the total of such expenses, including payroll, was \$347,197.

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, 2016, financial statements of SSA #3 for subsequent events affecting SSA #3 through May 1, 2017, 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, 2016**

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 2016. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters, of which, we had no knowledge.