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Commercial Avenue Commission

SSA #5

Financial Statements

Year ended December 31, 2016

(With Independent Auditors' Report Thereon)

COMMERCIAL AVENUE COMMISSION SSA #5

TABLE OF CONTENTS

	<u>Page(s)</u>
PART I - FINANCIAL	
Independent Auditors' Report.....	1 - 2
Statement of Net Position	3
Statement of Activities – Budget to Actual.....	4 – 6
Statement of Activities.....	7 – 9
Statement of Cash Flows.....	10
Notes to Financial Statements.....	11 - 16
PART II – GOVERNMENT AUDITING STANDARDS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
Schedule of Findings and Responses:	
Summary Schedule of Findings.....	19 - 20
Summary Schedule of Prior Findings.....	21



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Independent Auditors' Report

The Board of Directors
South Chicago Chamber of Commerce and Commercial Avenue Commission SSA #5:

We have audited the accompanying financial statements of Commercial Avenue Commission SSA #5 (a taxing district authorized by the City of Chicago), 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.

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; 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 of 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 unmodified opinions for the year ending December 31, 2016.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Commercial Avenue Commission SSA #5 as of December 31, 2016, and the results of its operations and changes in its fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements of SSA #5. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historic context. Our opinion on the basic financial statements is not affected by the missing information.

In connection with our audit, except for the exception noted in the summary of findings on page 19, there were no other findings that came to our attention and caused us to believe that SSA #5 failed to comply with the terms, covenants, provisions or conditions of the Agreement for Special Service Area #5 between the City of Chicago and the Commercial Avenue Commission, insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding SSA #5's noncompliance with the above-referenced terms, covenants, provisions or conditions of the Agreements, insofar as they relate to accounting matters.

Draft Draft Draft Draft Draft Draft Draft

Benford Brown & Associates, LLC
Chicago, IL
May 19, 2017

COMMERCIAL AVENUE COMMISSION

Statement of Net Position

Year ending December 31, 2016

Assets			
	Governmental Funds	Adjustments	Statement of Net Position
Current assets:			
Cash	\$ 479,322	\$ -	\$ 479,322
Levy receivables (note 4)	197,786	(93,863)	103,923
Due from Chamber	19,274	(9,538)	9,736
Prepaid expenses (note 6)	15,470	(10,220)	5,250
Total current assets	711,852	(113,621)	598,231
Noncurrent assets:			
Equipment (note 9)	82,932	89,976	172,908
Less: accumulated depreciation	(26,416)	(23,289)	(49,705)
Total noncurrent assets	56,516	66,687	123,203
Total assets	\$ 768,368	\$ (46,934)	\$ 721,434
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 6,534	-	\$ 6,534
Leases payable - current (note 5)	-	15,464	15,464
Total current liabilities	6,534	15,464	21,998
Long term liabilities:			
Tax increment funds	419,699	-	419,699
Leases payable - noncurrent (note 5)	-	38,471	38,471
Total long term liabilities	419,699	38,471	458,170
Total liabilities	426,233	53,935	480,168
Net assets:			
Unrestricted	342,135	(100,869)	241,266
Total net assets	342,135	(100,869)	241,266
Total liabilities and net assets	\$ 768,368	\$ (46,934)	\$ 721,434

The accompanying notes are an integral part of these financial statements.

COMMERCIAL AVENUE COMMISSION

Statement of Activities-Budget to Actual

Year ended December 31, 2016

	Actual	Budget	Variance
Revenues:			
Tax levy revenue (note 3)	\$ 382,918	381,918	\$ 1,000
TIF Revenue	38,318	-	38,318
Short-term interest saving	18	-	18
Total revenue	421,254	381,918	39,336
Expenses:			
1.00 Customer attraction			
Website technology	131	5,000	(4,869)
Special events	10,000	8,000	2,000
Free Wi-Fi program	-	1,500	(1,500)
Social media outreach	-	1,500	(1,500)
Decorative banners	6,000	8,000	(2,000)
Holiday decorations	-	5,000	(5,000)
Print materials	9,988	3,000	6,988
Display advertising	-	1,000	(1,000)
Public or media relations	-	8,000	(8,000)
Total 1.00 customer attraction	26,119	41,000	(14,881)
2.00 Public way aesthetics			
Acid etching removal and /or prevention	-	500	(500)
Landscaping	23,002	27,000	(3,998)
Facade enhancement prog rebates	-	15,000	(15,000)
Way finding signage	-	3,650	(3,650)
Streetscape elements	-	900	(900)
Public art	-	1,000	(1,000)
Sidewalk maintenance	48,424	42,500	5,924
Storage fees	900	-	900
City permit	-	1,500	(1,500)
Snow removal	6,900	7,000	(100)
Total 2.00 public way aesthetics	79,226	99,050	(19,325)
3.00 Sustainability and public places			
Small business energy efficiency retrofits	-	250	(250)
Public transit enhancements	-	250	(250)
Total 3.00 sustainability and public places	-	500	(500)

4.00 Economic business development			
Site marketing	-	2,000	(2,000)
Group purchasing program	4,992	10,000	(5,008)
Supplemental transit	10,220	5,800	4,420
Strategic planning	5,000.00	650	4,350
Economic impact study,market study, branding study	-	500	(500)
Commission development	-	250	(250)
Master planning	-	600	(600)
Total 4.00 economic business development	20,212	19,800	412
5.00 Safety programs			
Public way surveillance cameras/maintenance	6,961	5,000	1,961
Safety improvement program	-	500	(500)
Security patrol service	90,499	90,000	499
Total 5.00 safety programs	97,460	95,500	1,960
6.00 Management and general			
SSA audit	6,000	6,000	-
Bookkeeping	7,739	6,900	839
Office rent	10,800	9,360	1,440
Office utilities	6,386	6,480	(94)
Office supplies	3,292	720	2,572
Office equipment lease/maint	4,255	90	4,165
Office printing	1,235	1,500	(265)
Postage	11	100	(89)
Meeting expense	1,821	500	1,321
Subscriptions/dues	636	250	386
Banking fees	1,619	250	1,369
Equipment purchase/maintenance	2,189	100	2,089
Depreciation expenses	23,289	-	23,289
Liability/property insurance	3,878	-	3,878
Total 6.00 SSA management	73,149	32,250	40,899
7.00 Personnel			
Personnel	13,557	-	13,557
Executive director	33,236	39,000	(5,764)
SSA office manager	8,965	9,991	(1,026)
Communications manager	9,052	12,000	(2,948)
Marketing coordinator	1,133	9,954	(8,821)
Employer payroll tax	5,416	-	5,416
Workmans compensation insurance	706	-	706
Total 7.00 personnel	72,065	70,945	1,120
8.00 Loss collection			
Loss collection levy	36,826	23,873	12,953
Total 8.00 loss collections	36,826	23,873	12,953
Total Expenses \$	405,057	382,918	\$ 22,139

Excess of revenue over expenses	<u>16,198</u>
Net assets, January 1, 2016	<u>170,953</u>
Prior period adjustment (note 12)	54,115
Net assets, January 1, 2016, as restated	225,068
Net assets, December 31, 2016	<u>241,266</u>

The accompanying notes are an integral part of these financial statements.

COMMERCIAL AVENUE COMMISSION

Statement of Activities

Year ended December 31, 2016

	Governmental Funds	Adjustments	Statement of Activities
Revenues:			
Tax levy revenue (note 3)	\$ 382,918	\$ -	\$ 382,918
TIF Revenue	-	38,318	38,318
Miscellaneous revenue	9,538	(9,538)	-
Short-term interest saving	18	-	18
Total revenue	392,474	28,780	421,254
Expenses:			
1.00 Customer attraction			
Website technology	131	-	131
Special events	10,000	-	10,000
Free Wi-Fi program	-	-	-
Social media outreach	-	-	-
Decorative banners	6,000	-	6,000
Holiday decorations	-	-	-
Print materials	9,988	-	9,988
Display advertising	-	-	-
Public or media relations	-	-	-
Total 1.00 customer attraction	26,119	-	26,119
2.00 Public way aesthetics			
Acid etching removal and /or prevention	-	-	-
Landscaping	23,002	-	23,002
Facade enhancement prog rebates	-	-	-
Way finding signage	-	-	-
Streetscape elements	-	-	-
Public art	-	-	-
Sidewalk maintenance	53,236	(4,812)	48,424
Storage fees	900	-	900
City permit	-	-	-
Snow removal	6,900	-	6,900
Total 2.00 public way aesthetics	84,038	(4,812)	79,226
3.00 Sustainability and public places			
Small business energy efficiency retrofits	-	-	-
Public transit enhancements	-	-	-
Total 3.00 sustainability and public places	-	-	-

4.00 Economic business development			
Site marketing	-	-	-
Group purchasing program	4,992	-	4,992
Supplemental transit	-	10,220	10,220
Strategic planning	5,000	-	5,000
Economic impact study,market study, branding study	-	-	-
Commission development	-	-	-
Master planning	-	-	-
Total 4.00 economic business development	9,992	10,220	20,212
5.00 Safety programs			
Public way surveillance cameras/maintenance	5,291	1,670	6,961
Safety improvement program	-	-	-
Security patrol service	90,499	-	90,499
Total 5.00 safety programs	95,790	1,670	97,460
6.00 Management and general			
SSA audit	6,000	-	6,000
Bookkeeping	7,739	-	7,739
Office rent	10,800	-	10,800
Office utilities	6,386	-	6,386
Office supplies	3,292	-	3,292
Office equipment lease/maint	4,255	-	4,255
Office printing	1,235	-	1,235
Postage	11	-	11
Meeting expense	2,238	(416)	1,821
Subscriptions/dues	636	-	636
Banking fees	1,011	608	1,619
Equipment purchase/maintenance	2,189	-	2,189
Depreciation expenses	-	23,289	23,289
Liability/property insurance	3,878	-	3,878
Total 6.00 SSA management	49,669	23,481	73,149
7.00 Personnel			
Personnel	13,557	-	13,557
Executive director	33,236	-	33,236
SSA office manager	8,965	-	8,965
Communications manager	9,052	-	9,052
Marketing coordinator	1,133	-	1,133
Employer payroll tax	5,416	-	5,416
Workmans compensation insurance	706	-	706
Total 7.00 personnel	72,065	-	72,065
8.00 Loss collection			
Loss collection levy	(57,038)	93,862	36,826
Total 8.00 loss collections	(57,038)	93,862	36,826
Total Expenses \$	280,635	124,422	\$ 405,057

Excess of revenue over expenses	<u>111,839</u>	<u>16,198</u>
Net assets, January 1, 2016	<u>170,953</u>	<u>170,953</u>
Prior period adjustment (note 12)	59,343	54,115
Net assets, January 1, 2016, as restated	230,296	225,068
Net assets, December 31, 2016	<u>342,135</u>	<u>241,266</u>

The accompanying notes are an integral part of these financial statements.

COMMERCIAL AVENUE COMMISSION

Statement of Cash Flows

Year ended December 31, 2016

	2016
Cash flows from operating activities:	
Increase in net assets	\$ 16,199
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	23,289
Decrease in levy receivables	29,918
Increase in due from chamber	(6,744)
Decrease in prepaid expenses	4,940
Decrease in accounts payable	(14,683)
Increase in leases payable	53,935
Decrease in tax increment fund	(31,595)
Net cash provided by operating activities	75,259
Net cash provided by investing activities	-
Cash flows from financing activities:	
Purchase of fixed assets	(89,976)
Net cash used in financing activities	(89,976)
Net decrease in cash	(14,718)
Cash as of January 1, 2016	494,040
Cash as of December 31, 2016	\$ 479,322
Supplemental cash flow disclosure:	
Cash paid for interest	\$ 2,027

The accompanying notes are an integral part of these financial statements.

PART I - FINANCIAL

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Year ended December 31, 2016

(1) Organization Description

Commercial Avenue Commission (the Commission) Special Service Area No.5 (SSA #5) was created September 18, 1984 by ordinance of the Chicago City Council. The Commission began financial operations upon receipt of real estate tax assessment revenues in April 1985. The Commission is funded annually by a special tax assessment.

The purpose of the Commission is to provide special services within the City of Chicago (City) SSA #5 in addition to services provided by and to the City. The Commission's operations are overseen by the South Chicago Chamber of Commerce (the Chamber).

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Commission maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements have been prepared to focus on the Commission as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted, as recommended by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, "Not-for-Profit Entities, Presentation of Financial Statements".

Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the Commission and/or passage of time. As of December 31, 2016, the Commission maintained no temporarily restricted net assets.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained by the Commission. Generally, the donors to these assets permit the Commission to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2016, the Commission maintained no permanently restricted net assets.

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Year ended December 31, 2016

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions

The Commission accounts for contributions in accordance with FASB ASC 958-605, "Not-for-Profit Entities, Revenue Recognition". Per FASB ASC 958-605, contributions, including unconditional promises-to-give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Cash and Cash Equivalents

The Commission considers cash on deposit at banks and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents.

Income Taxes

The Commission, as a Special Service Area established by the City of Chicago, is excluded from federal income taxes.

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Year ended December 31, 2016

Fixed Assets

Expenditures greater than \$5,000 for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are:

Leasehold improvements	5 years
Furniture and equipment	3 - 7 years

Fair Value Measurements

The Commission measures fair value in accordance with FASB ASC 820-10, "Fair Value Measurements and Disclosures". Under FASB ASC 820-10, a comprehensive framework for measuring fair value and disclosing those measurements of fair value is established. Specifically, FASB ASC 820-10 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value input.

Net Assets

Unrestricted net assets are \$300,933 as of December 31, 2016.

(3) Real Estate Tax Revenue

The Commission's principle source of revenue is from real estate taxes levied on certain property located in the boundaries from 87th on the north to 93rd on the south along South Commercial Avenue; 91st frontage, from Exchange Avenue on the west to Houston Avenue on the east; and 92nd frontage, from Exchange Avenue on the west to Harbor on the east. The taxes are assessed and collected by Cook County and paid to the City of Chicago, which then remits to the Commission. Taxes are levied in one year, but paid in two installments the following year by the property owners. The Commission recognizes this revenue in the year in which the funds become available.

(4) Levy Receivable

Levy receivable consist of the following at December 31:

	<u>2016</u>
City of Chicago	<u>\$ 103,923</u>

All of the Commission's receivables are due within the next fiscal year.

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Year ended December 31, 2016

(5) Lease Commitments

On February 9, 2016, CAC entered a 5-year lease agreement with American Capital financial Services INC Illinois limited liability company:

<u>Year ending June 30,2016</u>	<u>Amount</u>
2017	\$ 17,340
2018	17,340
2019	17,340
2020	5,674
Thereafter	<u>-</u>
Total	<u>\$ 57,694</u>

(6) Prepaid Expenses

Prepaid expenses comprise of the following at December 31:

	<u>2016</u>
Prepaid trolley cars	<u>5,250</u>
Total prepaid expenses	<u>\$ 5,250</u>

(7) Loss Collection

The Commission uses the allowance for doubtful account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts in the financial statements. At December 31, 2016, the Commission had loss collections included in the budget in the amounts of \$23,873. As of December 31, 2016, the Commission deemed \$36,826 to be uncollectible for the year.

(8) Fair Value of Financial Instruments

In determining fair value, the Commission uses various valuation approaches within the Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 820-10 "Fair Value Measurements and Disclosures" fair value measurement network. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Year ended December 31, 2016

FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820-10 defines the levels within the hierarchy base on the reliability of inputs as follows:

Level 1 – Valuations based on adjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3 – Valuations derived from valuation techniques in which one or more of significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 are as follows:

	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant other unobservable inputs (Level 3)</u>
Certificate of deposit \$	20,250	20,250		
Money market - MB	5,471	5,471		
Money market - Royal	<u>11,279</u>	<u>11,279</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 37,000</u>	<u>37,000</u>	<u>-</u>	<u>\$ -</u>

Fair value for Level 1 assets is determined by reference to quoted market transactions

(9) Equipment

The Commission purchased equipment for the installation and upgrading of the closed circuit television (CCTV) wireless network as a special service authorized in the establishment ordinance for security purposes.

Equipment consists of the following at December 31:

CCTV Wireless Network	<u>\$ 172,908</u>
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COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Year ended December 31, 2016

(10) Significant Concentrations

The Commission's total support and revenues for the year ended December 31, 2016 amounted to \$421,254. Of this amounts, \$382,918 (91%) for 2016 was funding received from the County tax levy. This concentration on funding puts the Commission at risk due to the significant economic challenges being faced by the County and City government. Additionally, the Commission is subject to the management decisions and operating results of these funding agencies.

(11) Prior Period Adjustments

During fiscal year 2016, an adjustment was made to the financial statements to correctly state the balance of the accounts payable for miscellaneous expenses due in the prior year. The prior period adjustment is as follows:

Net assets at January 1, 2016:

Unrestricted	<u>\$ 170,953</u>
Adjustments to unrestricted net assets:	
To properly state tax increment funds	<u>54,114</u>
Unrestricted net assets at January 1, 2016, as restated:	<u>\$ 225,067</u>

(12) Subsequent Events

For the fiscal year ending December 31, 2016, the Commission's management has evaluated subsequent events through May 19, 2017, which is the date the financial statements were available to be issued. As of May 17, 2017, the South Chicago Chamber of Commerce was removed as the service provider for Commercial Avenue Commission SSA #5. Additionally, the City of Chicago requested a return of all funds from the Commercial Avenue Commission SSA #5. The TIF funds were returned to the City of Chicago, however, tax funds paid to the Commercial Avenue Commission SSA #5, and under the control of the South Chicago Chamber of Commerce, amounting to approximately \$140,000 have not been returned to the City of Chicago.

PART II – GOVERNMENT AUDITING STANDARDS



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
South Chicago Chamber of Commerce and Commercial Avenue Commission:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Commercial Avenue Commission (the Commission), which comprise the statement of net position as of and for the year ended December 31, 2016, and the related statement of activities-budget to actual, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2017,

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses; reference numbers 2016-1, 2016-2, 2016-3, 2016-4, and 2016-5.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies; reference numbers 2016-1, 2016-2, 2016-3, 2016-4, and 2016-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items; reference numbers 2016-1, 2016-2, 2016-3, 2016-4, and 2016-5.

Commercial Avenue Commission SSA #5's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Benford Brown & Associates, LLC

Chicago, IL

May 19, 2017

PART III – SCHEDULE OF FINDINGS AND RESPONSES

COMMERCIAL AVENUE COMMISSION SSA # 5

Service Provider Agreement Compliance

Summary Schedule of Findings and Responses

Year ended December 31, 2016

Finding 2016-1 – Unauthorized Transactions

Several transactions were presented to the bank that were not authorized by the commissioners of the Commission. Checks out of sequence were presented to the bank and cleared the bank. During an oversight procedure by the commissioners, the items were identified and subsequently determined to be unauthorized. The funds were to be returned to the Commission.

Management Response

We will discuss procedures with the new service provider and emphasize that all transactions must be approved by the Commission. We will continue to monitor the bank accounts to ensure this does not recur.

Finding 2016-2 - Audit Adjustments

Several accounts required material adjustments to accurately reflect the correct year end balances. It is important to reconcile all accounts to ensure the year end balances are correctly stated.

Management Response

We will discuss procedures with the accountant to ensure that the material adjustments are not repeated each year.

Finding 2016-3 - Certificate of Deposit

The Commission did not reconcile 2016 certificate of deposit. The Commission did not provide a reconciliation to the total expense per the general ledger. It is important to reconcile and present reconciliations for all bank accounts including the certificate of deposit at the time of its maturity.

Management Response

We will require that the accountant provide bank reconciliations for the certificate of deposit in addition to the reconciliations for the other bank accounts.

COMMERCIAL AVENUE COMMISSION SSA # 5

Service Provider Agreement Compliance

Summary Schedule of Findings and Responses

Year ended December 31, 2016

Finding 2016-4 - Revenue

The commission did not record the TIF Fund revenue as it was earned. As a result, the TIF revenue was not reflected in the ending balance. It is important to record TIF revenue as it is earned to ensure proper matching of revenue and expenses.

Management Response

We will discuss recording the TIF transactions with the accountant to ensure that they are recorded each time TIF funds are expended.

Finding 2016-5 - Fixed Asset and Leases Payable

The Commission did not record the new assets that were purchased during the year or the related lease payable. It is very important to assure that all capital assets are recorded at the time of purchase and the related depreciation expense is recorded at the end of the year.

Management Response

We will update our fixed asset policy and discuss the new process with the accountant to ensure that fixed assets are properly recorded during the year.

COMMERCIAL AVENUE COMMISSION SSA # 5

Service Provider Agreement Compliance

Summary Schedule of Prior Findings

Year ended December 31, 2016

There were no prior year findings.