

U.S. CELLULAR COLISEUM
(AN ENTERPRISE FUND OF THE
CITY OF BLOOMINGTON, ILLINOIS)

FINANCIAL AND COMPLIANCE REPORT

For the Fiscal Year Ended
April 30, 2013



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Bloomington, Illinois

We have audited the accompanying financial statements of the U.S. Cellular Coliseum, an enterprise fund of the City of Bloomington, Illinois, as of and for the year ended April 30, 2013 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 risk 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Cellular Coliseum, an enterprise fund of the City of Bloomington, Illinois, as of April 30, 2013, and the changes in financial position and the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Coliseum and do not purport to, and do not, present fairly the financial position of the City of Bloomington, Illinois, as of April 30, 2013, the changes in financial position, and the cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The City of Bloomington, Illinois adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended April 30, 2013. Statement No. 63 added new classifications on the statements of net position and change net assets to net position. Statement No. 65 changed the classifications of certain items on the statement of net position to the new classifications contained in the GASB Statement No. 63. The adoption of these statements had no effect on any of the Coliseum's net position as of and for the year ended April 30, 2013. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 on our consideration of the U.S. Cellular Coliseum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering U.S. Cellular Coliseum's internal control over financial reporting and compliance. Our opinion is not modified with respect to this matter.



Springfield, Illinois
September 9, 2013

U. S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)

STATEMENT OF NET POSITION
April 30, 2013

ASSETS

Current assets:

Cash and investments	\$ 1,033,568
Accounts receivable	311,250
Prepaid items	42,622
Total current assets	1,387,440

Capital assets:

Land	444,524
Building	22,572,561
Machinery and equipment	7,951,529
	30,968,614
Less accumulated depreciation	(6,133,976)
Total capital assets, net of accumulated depreciation	24,834,638

Total assets	26,222,078
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LIABILITIES

Current liabilities:

Accounts payable	218,834
Accrued expenses	29,909
Ticket escrow payable	439,926
Unearned revenue	736,028
Total current liabilities	1,424,697

Long-term liabilities:

Due to the City of Bloomington	2,400,000
Total noncurrent liabilities	2,400,000

Total liabilities	3,824,697
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Net position (deficit)

Net investment in capital assets	24,834,638
Unrestricted	(2,437,257)
	22,397,381

Total net position	\$ 22,397,381
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See accompanying Notes to Financial Statements.

U. S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended April 30, 2013

Operating revenues:	
Events	\$ 830,245
Club seat rentals	66,229
Suite rentals	370,221
Concession and novelty revenue	598,967
Ticket services	186,103
Parking fees	31,396
Advertising and naming rights	879,430
Coliseum and box office rental	599,661
Total operating revenues	3,562,252
Operating expenses:	
Salaries and benefits	1,508,635
Office operations	51,925
Promoter expense	684,103
Travel and entertainment	22,873
Advertising	66,717
Utilities	320,115
Insurance	123,667
Repairs and maintenance	147,049
Operating supplies	145,468
Professional fees	258,460
Depreciation	850,608
Commissions	188,489
Other	45,352
Rental expense	22,342
Total operating expenses	4,435,803
Net operating loss	(873,551)
Nonoperating revenues (expenses):	
Home rule sales tax	1,309,531
Investment earnings	1,946
Contributions to the City of Bloomington	(1,309,531)
Contributions from the City of Bloomington	225,000
Total nonoperating revenues (expenses)	226,946
Change in net position	(646,605)
Net position, beginning of year	23,043,986
Net position, end of year	\$ 22,397,381

See accompanying Notes to Financial Statements.

U. S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)

STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2013

Cash flows from operating activities:	
Cash received from rentals, ticket sales and other	\$ 3,839,659
Cash paid to suppliers	(2,232,259)
Cash paid to employees	(1,540,849)
Net cash from operating activities	66,551
Cash flows from noncapital financing activities:	
Home rule sales tax	1,309,531
Receipts from interfund accounts	96,981
Contributions from the City of Bloomington	225,000
Contributions to the City of Bloomington	(1,309,531)
Net cash from noncapital financing activities	321,981
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(81,528)
Net cash from capital and related financing activities	(81,528)
Cash flows from investing activities	
Investment earnings	1,946
Net cash from investing activities	1,946
Net (decrease) in cash and cash equivalents	308,950
Cash and cash equivalents, beginning of year	724,618
Cash and cash equivalents, end of year	\$ 1,033,568
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (873,551)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	850,608
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	16,875
(Increase) decrease in prepaid items	(3,427)
Increase (decrease) in accounts payable	(152,272)
Increase (decrease) in accrued expenses	(32,214)
Increase (decrease) in ticket escrow payable	234,679
Increase (decrease) in unearned revenue	25,853
Net cash from operating activities	\$ 66,551

See accompanying Notes to Financial Statements.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)

NOTES TO FINANCIAL STATEMENTS
April 30, 2013

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations:

The U.S. Cellular Coliseum (the "Coliseum") is an enterprise fund of the City of Bloomington, Illinois which provides for the promotion, operation and maintenance of the Coliseum. The Coliseum offers all types of entertainment venues including major concerts, trade shows, conventions, sporting events and civic events. The Coliseum is owned by the City of Bloomington, Illinois (the "City") and operated under a management agreement with Central Illinois Arena Management, Inc. (CIAM); it is a part of the City government and is not a separate legal entity or otherwise organized apart from the City. The financial statements contained herein present only the operations of the Coliseum and do not purport to, and do not, present the financial position, changes in financial position and cash flows, where applicable, of the City.

B. Significant Accounting Policies:

Basis of accounting and measurement focus: The economic resources measurement focus and the accrual basis of accounting are used by the Coliseum. Under this basis of accounting, all assets and all liabilities associated with the operation of the Coliseum are included on the statement of net position. Revenue is recognized when earned and expenses are recognized when the liability has been incurred.

The Coliseum considers revenues earned from events, facility rentals, concessions, parking, advertising and naming rights to be operating revenues. Expenses associated with operating the facility are considered operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and investments: For purposes of reporting cash flows, the Coliseum considers all investments with a maturity of three months or less when purchased to be cash equivalents. All investments are reported at fair value.

Accounts receivable: Accounts receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded as revenue when received. An account receivable is considered past due if any portion of the receivable balance is outstanding for more than 30 days.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)
NOTES TO FINANCIAL STATEMENTS – Continued

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES –
Continued

B. Significant Accounting Policies – Continued:

Trade/in-kind agreements: As part of doing business, the Coliseum has entered into several trade/in-kind agreements. These agreements primarily provide advertising services to the third parties in exchange for services or goods provided by the third party to the Coliseum. The Coliseum recognizes revenue as services are provided to the third party and recognizes expenses as the Coliseum redeems the services or goods per the agreement.

Capital assets: Capital assets include land, building, and machinery and equipment. Capital assets are defined by the Coliseum as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater, while building improvements are subject to a threshold of more than \$25,000.

Assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. As the assets relating to the Coliseum were transferred from governmental-type funds, no interest was capitalized in connection with the construction during the fiscal year ended April 30, 2013.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Building	25 - 50 years
Machinery and equipment	3 - 20 years

Revenue recognition: Event revenue is reported net of the expenses paid to entertainers and promoters. It includes revenue from events where the Coliseum participates on a percentage basis in the net revenues. Rental revenue earned from events is presented as a line item separate from event revenue on the statement of revenues, expenses and changes in fund net position.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)
NOTES TO FINANCIAL STATEMENTS – Continued

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES –
Continued

B. Significant Accounting Policies – Continued:

Naming rights revenue is reported for an agreement the City entered into with a third party which gives the third party the "right" to name the Coliseum. The revenue is considered earned when the naming rights usage takes place, which is on a daily basis.

The Coliseum receives a percentage of food and beverage concession sales ranging from 32 percent to 42 percent and suite and catering sales paid at 15 percent of food and beverage sales. Revenue is recognized when the event has taken place and it is measurable.

Advertising and/or sponsorships are reported for agreements the Coliseum entered into with a third party which gives the third party the "right" to sponsor teams, the arena and/or specific events. Most agreements are on a yearly basis and, as the third party receives the benefit over the entire year, revenue is recognized ratably over the term of the agreement.

Facility and parking fees revenue is recognized when the event takes place. These fees are a part of the cost of the ticket. The amount varies by event.

Suite rental revenue is billed on an annual basis. Revenue is recognized daily as the suite is available for use by the customer.

Club memberships are billed on an annual basis. The membership includes rights to purchase their seats for assigned events, tickets to all home hockey and football games, VIP room access, customer service and in-seat waiter/waitress service. As the membership benefits are earned by event and events run throughout the fiscal year, the revenue is earned ratably over the course of the fiscal year.

The Coliseum receives a portion of the City's Home Rule Sales Tax. These revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period.

All revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Ticket escrow payable: Monies received for ticket sales are booked to ticket escrow payable until the event occurs. After each event, a settlement is prepared. The settlement determines the amount to be paid to the promoter and the amount that the Coliseum will recognize as revenue.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)
NOTES TO FINANCIAL STATEMENTS – Continued

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES –
Continued

B. Significant Accounting Policies – Continued:

Unearned Revenue: Unearned revenue represents monies received for club seats, sponsorships and naming rights which have not yet been earned.

Net Position: Represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Coliseum first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS

A reconciliation of cash and investments as of April 30, 2013 is as follows:

Box office change	\$	4,000
Concessions change		20,000
Demand deposits		<u>1,009,568</u>
	\$	<u>1,033,568</u>

Authorized investments: The Coliseum utilizes the City of Bloomington's investment policy. The City has adopted an investment policy to invest in instruments allowed by the Illinois compiled Statutes (ILCS) which authorizes the City to make deposits/investments in interest bearing depository accounts in federally insured and/or state chartered banks and savings and loan associations, or other financial institutions as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, money market mutual funds whose portfolios consist of governmental securities, Illinois Funds Money Market Fund and annuities.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)
NOTES TO FINANCIAL STATEMENTS – Continued

2. CASH AND INVESTMENTS – Continued

Authorized investments – Continued

The City's policy further limit investments to (1) bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest; (2) bonds, notes, debentures or other similar obligations of the United States of America or its agencies; (3) interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; (4) short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed 10 percent of the corporation's outstanding obligations and (iii) no more than one third of the City's funds may be invested in short term obligation's of corporations; (5) money market mutual funds registered under the Investment Company Act of 1940 provided that the portfolio of any such money market mutual fund is limited to obligations described in (1) and (2) above and to agreements to repurchase such obligations; (6) investments only in banks which are insured by the FDIC; (7) short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of Illinois and which are insured by the FDIC; (8) the Public Treasurer's Investment Pool or a fund managed, operated, and administered by a bank, or subsidiary of a bank holding company, or use the services of such an entity to hold and invest or advise regarding the investment of any City funds.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the City's investment policy, each investment shall seek to first ensure that capital losses are avoided. As such, the City shall follow a "buy and hold" till maturity philosophy. The policy also limits investments to instruments maturing within three years of the time of purchase. The policy further states the City will not consider investments with the intent of "timing the market", i.e., speculating on changes in interest rates and the corresponding value change to bonds and other fixed income investments to realize a large short-term gain but at a high risk. Instead, the City will follow a policy of investing until maturity, of obtaining a market rate of return, but avoiding risk where possible.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)
NOTES TO FINANCIAL STATEMENTS – Continued

2. CASH AND INVESTMENTS – Continued

The Coliseum did not have any investments as of April 30, 2013.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City does not have a policy over credit risk.

Concentration of credit risk: It is the City's policy to diversify its investment portfolio in order to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The policy requires the portfolio maturities of securities be staggered to avoid undue concentration of assets in a specific maturity sector; maturities selected provide for stability of income and reasonable liquidity; and the average maturity of the portfolio shall never exceed one and one half years. With the exception of deposits with the Illinois Fund through the State Treasurer's Pool, the City will not have more than 50 percent of its investible funds in any one institution or type of investment. The City did not have any investments as of April 30, 2013.

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The City's policy requires assets to be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions and City finance department employees handling investments shall be bonded. The policy also requires ownership shall be protected through third-party custodial safekeeping. The City finance director, at her discretion, may require that collateralization of certain public deposits be performed through pledging of appropriate securities by the depository.

3. ACCOUNTS RECEIVABLE

Accounts receivable, net of uncollectibles, as of April 30, 2013 is comprised of the following amounts:

Advertising and other	\$ 267,456
Due from Central Illinois Arena Management, Inc.	9,000
Due from BMI Concessions, Inc.	34,794
	<u>\$ 311,250</u>

U.S. CELLULAR COLISEUM
 (An Enterprise Fund of the City of Bloomington, Illinois)
 NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS

A summary of capital assets as of April 30, 2013 is as follows:

	Balance <u>April 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>April 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 444,524	\$ -	\$ -	\$ 444,524
Total capital assets, not being depreciated	<u>444,524</u>	<u>-</u>	<u>-</u>	<u>444,524</u>
Capital assets, being depreciated:				
Building	22,540,261	32,300	-	22,572,561
Machinery and equipment	<u>7,902,301</u>	<u>49,228</u>	<u>-</u>	<u>7,951,529</u>
Total capital assets being depreciated	<u>30,442,562</u>	<u>81,528</u>	<u>-</u>	<u>30,524,090</u>
Less accumulated depreciation for:				
Building	(2,465,710)	(405,832)	-	(2,871,542)
Machinery and equipment	<u>(2,817,658)</u>	<u>(444,776)</u>	<u>-</u>	<u>(3,262,434)</u>
Total accumulated depreciation	<u>(5,283,368)</u>	<u>(850,608)</u>	<u>-</u>	<u>(6,133,976)</u>
Total capital assets, being depreciated, net	<u>25,159,194</u>	<u>(769,080)</u>	<u>-</u>	<u>24,390,114</u>
Total capital assets, net	<u>\$ 25,603,718</u>	<u>(769,080)</u>	<u>-</u>	<u>\$ 24,834,638</u>

5. RISK MANAGEMENT

The Coliseum is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City of Bloomington is self-insured and carries supplemental commercial insurance. The City maintains internal service funds for its self-insured employees' health insurance program, and its general liability, property and worker's compensation insurance claims. Each participating fund (including the Coliseum) makes payments to the self-insurance fund for amounts which are determined based on historical claims experience.

For medical claims, self-insurance is in effect up to a stop loss of \$125,000 per individual occurrence. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. An independent claims administrator performs all claim handling procedures.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)
NOTES TO FINANCIAL STATEMENTS – Continued

5. RISK MANAGEMENT – Continued

The City self-insures a portion of its risks and purchases excess/stop loss insurance to protect against catastrophic loss. Current self-insured retentions are \$125,000 per occurrence for general liability, \$25,000 for property, \$450,000 per occurrence for non-public safety worker's compensation and \$550,000 for public safety workers compensation. The City has an aggregate retention of \$560,000 for liability losses. The City has purchased commercial insurance for coverage in excess of self-insured retentions and for other risks of losses. The City purchased commercial insurance for coverage in excess of self-insured retentions and for other risks of loss.

6. ACTIVITY WITH THE OTHER CITY OF BLOOMINGTON FUNDS

Balances due to or from the City of Bloomington result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. As of April 30, 2013, the Coliseum owed various other funds of the City \$2,400,000. Management expects to repay the interfund payable using the future profits of the Coliseum.

Contributions to or from the City of Bloomington are used to (1) move revenues from the fund that statute or budget requires them to collect to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year ended April 30, 2013, the General Fund of the City transferred \$225,000 to the Coliseum Fund and the Coliseum transferred \$1,309,531 to the 2004 Coliseum Bond Redemption Fund of the City. During the fiscal year ended April 30, 2013, the Coliseum collected and remitted \$51,143 to the Parking Fund of the City.

7. DEVELOPMENT AND MANAGEMENT AGREEMENT

The City and CIAM entered into a Development and Management Agreement in October 2005. The term of the agreement commenced on May 1, 2006 and expires 10 years subsequent to the date of the first public event held in the Coliseum. The agreement requires CIAM to negotiate a naming rights agreement, invest \$1,000,000 in concession equipment, provide for sports franchises and to promote, operate and manage the Coliseum during the term of the agreement. CIAM will receive a commission of 10 percent of proceeds from sponsorship sales, suites and club seats and an annual fee representing 4 percent of gross revenues of the Coliseum as base compensation.

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)
NOTES TO FINANCIAL STATEMENTS – Continued

7. DEVELOPMENT AND MANAGEMENT AGREEMENT – Continued

In addition, CIAM will receive a 20 percent share of the Coliseum's net operating income. Any resale of naming rights resulting in cash and trade proceeds in excess of \$200,000 per fiscal year shall be contributed to an incentive account and split evenly between the City and CIAM. Amounts paid to CIAM under this agreement totaled \$306,338 during the year ended April 30, 2013.

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*

To the Honorable Mayor
and Members of the City Council
City of Bloomington, Illinois

We have audited, in accordance with the 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 U.S. Cellular Coliseum, an enterprise fund of the City of Bloomington, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the Coliseum's basic financial statements, and have issued our report thereon dated September 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the U.S. Cellular Coliseum'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the U.S. Cellular Coliseum's internal control. Accordingly, we do not express an opinion on the effectiveness of the U.S. Cellular Coliseum'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the U.S. Cellular Coliseum's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the U.S. Cellular Coliseum in a separate letter dated September 9, 2013.

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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Springfield, Illinois
September 9, 2013

U.S. CELLULAR COLISEUM
(An Enterprise Fund of the City of Bloomington, Illinois)

SCHEDULE OF FINDINGS AND RESPONSES
April 30, 2013

Financial Statement Findings

None

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended April 30, 2013

<u>Prior Finding</u>	<u>Condition</u>	<u>Status</u>
12-1	Preparation of financial statements	Not Repeated
12-2	Improper cut-off of accrued expenses	Not Repeated