

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

FINANCIAL AND COMPLIANCE REPORT

For the Fiscal Year Ended
April 30, 2009

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1000 Churchill Road • Springfield, IL 62702

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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 statement of net assets of the U.S. Cellular Coliseum, an enterprise fund of the City of Bloomington, Illinois, as of April 30, 2009 and the related statements of revenues, expenses and changes in fund net assets and cash flows for the year then ended. The financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the U.S. Cellular Coliseum, an enterprise fund of the City of Bloomington, Illinois. These financial statements do not purport to, and do not, present fairly the financial position of the City of Bloomington, Illinois as of April 30, 2009 and the changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2009, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2009 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* and should be considered in assessing the results of our audit.



Springfield, Illinois
September 18, 2009

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

STATEMENT OF NET ASSETS
April 30, 2009

ASSETS

Current assets:

Cash and investments	\$ 411,931
Accounts receivable	310,138
Prepaid items	112,026
Total current assets	<u>834,095</u>

Capital assets:

Land	448,524
Building	22,540,261
Machinery and equipment	8,133,025
	<u>31,121,810</u>
Less accumulated depreciation	(2,853,522)
Total capital assets, net of accumulated depreciation	<u>28,268,288</u>

Total assets	<u>29,102,383</u>
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LIABILITIES

Current liabilities:

Accounts payable	162,320
Accrued expenses	29,148
Ticket escrow payable	180,116
Unearned revenue	945,510
Total current liabilities	<u>1,317,094</u>

Long-term liabilities:

Due to the City of Bloomington	2,265,141
Total noncurrent liabilities	<u>2,265,141</u>

Total liabilities	<u>3,582,235</u>
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Net assets (deficit)

Invested in capital assets	28,268,288
Unrestricted	<u>(2,748,140)</u>

Total net assets	<u>\$ 25,520,148</u>
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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 ASSETS
For the Year Ended April 30, 2009

Operating revenues:

Events	\$ 846,158
Club seat rentals	161,488
Suite rentals	505,325
Concession and novelty revenue	490,699
Ticket services	195,090
Parking fees	33,214
Advertising and naming rights	1,022,526
Coliseum and box office rental	588,430
Other income	3,407
Total operating revenues	<u>3,846,337</u>

Operating expenses:

Salaries and benefits	1,576,228
Office operations	46,149
Promoter expense	909,092
Travel and entertainment	30,292
Advertising	92,115
Utilities	436,944
Insurance	242,667
Repairs and maintenance	346,934
Operating supplies	29,872
Professional fees	404,058
Depreciation	934,594
Commissions	196,005
Other	95,145
Rental expense	88,355
Total operating expenses	<u>5,428,450</u>
Net operating loss	<u>(1,582,113)</u>

Nonoperating revenues (expenses):

Investment earnings	8,838
Contributions from the City of Bloomington	610,885
Total nonoperating revenues (expenses)	<u>619,723</u>

Change in net assets (962,390)

Net assets, beginning of year 26,482,538

Net assets, end of year \$ 25,520,148

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, 2009

Cash flows from operating activities:	
Cash received from rentals, ticket sales and other	\$ 3,600,963
Cash paid to suppliers	(3,064,846)
Cash paid to employees	(1,622,620)
Net cash from operating activities	<u>(1,086,503)</u>
Cash flows from noncapital financing activities:	
Payments on due to/from the City of Bloomington	(458,514)
Contributions from the City of Bloomington	610,885
Net cash from noncapital financing activities	<u>152,371</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(8,404)
Net cash from capital and related financing activities	<u>(8,404)</u>
Cash flows from investing activities	
Investment earnings	8,838
Net cash from investing activities	<u>8,838</u>
Net (decrease) in cash and cash equivalents	(933,698)
Cash and cash equivalents, beginning of year	<u>1,345,629</u>
Cash and cash equivalents, end of year	<u><u>\$ 411,931</u></u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (1,582,113)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	934,594
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	66,375
(Increase) decrease in prepaid items	(50,011)
Increase (decrease) in accounts payable	(97,207)
Increase (decrease) in accrued expenses	(46,392)
Increase (decrease) in ticket escrow payable	(127,479)
Increase (decrease) in unearned revenue	(184,270)
Net cash from operating activities	<u><u>\$ (1,086,503)</u></u>

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, 2009

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 assets. 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 receivables: 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.

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:

An account receivable is considered past due if any portion of the receivable balance is outstanding for more than 30 days.

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 \$1,000 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, 2009.

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 assets.

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.

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:

Accounting pronouncements: The Coliseum is applying all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Net assets: Represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are 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 assets are 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, 2009 is as follows:

Box office change	\$ 7,000
Concessions change	20,000
Demand deposits	<u>384,931</u>
	<u>\$ 411,931</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

U.S. CELLULAR COLISEUM

(An Enterprise Fund of the City of Bloomington, Illinois)

NOTES TO FINANCIAL STATEMENTS – Continued

2. CASH AND INVESTMENTS – Continued

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.

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 rate 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 till maturity, of obtaining a market rate of return, but avoiding risk where possible.

The Coliseum did not have any investments as of April 30, 2009.

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

2. CASH AND INVESTMENTS – Continued

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, 2009.

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 his 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, 2009 are comprised of the following amounts:

Advertising and other	\$ 244,104
Due from Central Illinois Arena Management, Inc.	77,556
Due from BMI Concessions, Inc.	38,090
Due from B-N Football, LLC	107
Due from BMI Hockey, LLC	587
	<hr/> 360,444
Uncollectibles related to Due from Central Illinois Arena Management, Inc.	50,306
	<hr/> <u>\$ 310,138</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, 2009 is as follows:

	Balance April 30, 2008	Additions	Deletions	Balance April 30, 2009
Capital assets, not being depreciated:				
Land	\$ 448,524	\$ -	\$ -	\$ 448,524
Total capital assets, not being depreciated	448,524	-	-	448,524
Capital assets, being depreciated:				
Building	22,540,261	-	-	22,540,261
Machinery and equipment	8,124,621	8,404	-	8,133,025
Total capital assets being depreciated	30,664,882	8,404	-	30,673,286
Less accumulated depreciation for:				
Building	(842,770)	(405,735)	-	1,248,505
Machinery and equipment	(1,076,158)	(528,859)	-	1,605,017
Total accumulated depreciation	(1,918,928)	(934,594)	-	2,853,522
Total capital assets, being depreciated, net	28,745,954	(926,190)	-	27,819,764
Total capital assets, net	\$ 29,194,478	(926,190)	-	28,268,288

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 \$90,000 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.

On October 1, 1995, the City established the Central Illinois Risk Pooling Authority (CIRPA), a blended component unit of the City, pursuant to the provisions of the Illinois Compiled Statutes for general liability and worker's compensation claims. Self insurance is in effect up to a stop loss of \$100,000 per occurrence for general liability and \$450,000 per

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

5. RISK MANAGEMENT – Continued

occurrence for worker's compensation. In addition, CIRPA has an aggregate retention of \$625,000 for liability losses. CIRPA has purchased commercial insurance for coverage in excess of self-insured reserve limits and for all other risks of loss. For those exposures covered by insurance policies, settled claims have not exceeded insurance coverage purchased for each of the past three fiscal years.

6. ACTIVITY WITH THE OTHER CITY OF BLOOMINGTON FUNDS

Balance due to or from the City of Bloomington results 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, 2009, the Coliseum owed various other funds of the City \$2,265,141. 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, 2009, the General Fund of the City transferred \$610,885 to the Coliseum Fund. During fiscal year ended April 30, 2009, the Coliseum collected and remitted \$62,698 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. 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 \$461,687 during the year ended April 30, 2009.



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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*

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

We have audited 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, 2009, and have issued our report thereon dated September 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the U.S. Cellular Coliseum's internal control over financial reporting as a basis for designing our auditing procedures 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 Coliseum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coliseum's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Coliseum's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Coliseum's financial statements that is more

than inconsequential will not be prevented or detected by the Coliseum's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying schedule of findings and responses as items 09-1 to 09-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Coliseum's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-1, 09-2, 09-3, and 09-4 represent material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 have reported to management of the U.S. Cellular Coliseum in a separate letter dated September 18, 2009.

The Coliseum's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Coliseum's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Illinois
September 18, 2009

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

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended April 30, 2009

09-1 – Inadequate segregation of duties

Finding: There is an inadequate segregation of duties over the cash receipts and cash disbursements transaction cycles at the Coliseum.

Criteria: A good system of internal control policies and procedures contemplates an adequate segregation of duties so that no one individual has both custody of assets and recordkeeping ability.

Context/Condition: In updating our understanding of the U.S. Cellular Coliseum's internal control, we noted the finance director has both the ability to post entries to the Quickbooks system and check signing authority. In addition, we noted the administrative assistant has both the custody of assets and record-keeping ability during the cash receipts process.

Effect: Potential misappropriation of assets.

Recommendation: We recommend the Coliseum consider dual signatures and imposing dollar limits on check signing authority to improve controls over the cash disbursements transaction cycle. We recommend the Coliseum consider implementing the use of a cash receipts log, maintained by someone other than the individual responsible for recording in the transaction in the general ledger to improve controls over the cash receipts transaction cycle.

Response and Corrective Action Plan: The Coliseum will implement dual signatures on checks for Coliseum Fund, Box Office and Payroll checking accounts as check supplies are reordered. All checks will require two signatures.

Beginning September 1, 2009, Coliseum will institute a cash receipts log for all cash receipts received. This log will be maintained by the General Manager. An audit of the cash receipts log and customer payment receipts in Quickbooks will be performed on a quarterly basis by the General Manager.

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

SCHEDULE OF FINDINGS AND RESPONSES – continued
For the year ended April 30, 2009

09-2 – No formal review of non-standard journal entries

Finding: There is not a formal review of nonstandard journal entries prior to them being posted.

Criteria: All nonstandard journal entries should be reviewed and approved prior to posting in the general ledger by someone other than the individual proposing the journal entry.

Context/Condition: The CIAM employee entering nonstandard journal entries into the system also initiates the journal entries. In addition, we also noted the administrative assistant, finance manager, and finance director all had access to post non-standard journal entries throughout the course of the fiscal year. There are no standard forms for these entries as they are entered directly into QuickBooks from the back-up documentation received. The Managing Partner and the Finance Director review a Detail Transaction List on a monthly basis, which includes adjusting journal entries; however, there is no formal documentation indicating the review has taken place.

Effect: Potential material misstatement of the financial statements.

Recommendation: We recommend the Coliseum implement a system that would include a supervisory review of all nonstandard journal entries prior to them being posted to the system. In addition, there should be documentation that a review of the Detail Transaction List was reviewed each month.

Response and Corrective Action Plan: Beginning fiscal year 2010, at month-end, a monthly listing of all journal entries (along with journal entry explanation) is provided to CIAM Management and reviewed with the Assistant General Manager – Finance. This is in addition to the review of a P & L Detail Transaction List.

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SCHEDULE OF FINDINGS AND RESPONSES – continued
For the year ended April 30, 2009

09-3 – Financial Statement Adjustments

Finding: There were numerous material adjustments identified during the audit.

Criteria: All transactions should be accounted for to ensure accurate financial reporting.

Context/Condition: During our audit, we proposed numerous material adjustments for accruals, capital assets and depreciation.

Effect: Financial statements were adjusted for the proposed adjustments for accruals, capital assets and depreciation.

Cause: Oversight by management.

Recommendation: We recommend the Coliseum implement controls to ensure all transactions are accounted for and recorded in accordance with GAAP.

Response and Corrective Action Plan: At year end 2010, CIAM will make a concerted effort to ensure all transactions are entered in order to accurately report financials with less material adjustments.

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SCHEDULE OF FINDINGS AND RESPONSES – continued
For the year ended April 30, 2009

09-4 – No formal review or monitoring of Coliseum operations and record-keeping

Finding: There is no formal review or monitoring of Coliseum operations and record-keeping by the appropriate level of City personnel.

Criteria: The City should apply regular oversight and monitoring procedures over the operations and financial reporting of the Coliseum to ensure all transactions have been reported accurately and completely.

Context/Condition: The City Finance Department previously performed monthly reviews of the U.S. Cellular Coliseum's performance and record-keeping, including the review of specific event performance and accounting. During the fiscal year, the reviews were discontinued as a result of staffing shortages in the City's Finance Department. As a result, a detailed review of the Coliseum's performance and record-keeping was not being performed for a majority of the fiscal year.

Effect: Potential material misstatement of the financial statements.

Recommendation: We recommend the City reinstitute a level of review of the Coliseum's performance and record-keeping by the appropriate level of the City. This review should be performed in an effort to more closely monitor and assess risks related to the Coliseum and comply with Section 8 of the Development and Management Agreement between the City of Bloomington and Central Illinois Arena Management, Inc.

Response and Corrective Action Plan: In fiscal year 2010, the City of Bloomington Finance Department will re-establish a formal internal audit program. This program will prepare formal documentation of the procedures and processes used to review and monitor the financial activity at the Coliseum.

U.S. CELLULAR COLISEUM
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SCHEDULE OF FINDINGS AND RESPONSES – continued
For the year ended April 30, 2009

09-5 – Inadequate physical controls over security of assets

Finding: There is an inadequate system of physical controls over the security of assets of the Coliseum.

Criteria: A system of adequate physical security of assets should be implemented to reduce the risk of crimes, such as theft or assault, against property or persons.

Context/Condition: In gaining an understanding of the U.S. Cellular Coliseum's internal control, we noted that access to the Coliseum, and areas within the Coliseum, are easily accessible by both authorized and unauthorized individuals. In addition, we noted the Coliseum does not have a visual monitoring system to deter or detect the theft of Coliseum assets held within and around the facility.

Effect: Potential misappropriation of assets.

Recommendation: We recommend the Coliseum consider the implementation of physical controls to improve the safeguarding of Coliseum assets and limit access to the Coliseum premises to authorized personnel.

Response & Corrective Action Plan: The Coliseum and the City of Bloomington are working together to install a security system at the Coliseum. At this time, it is unknown when the security system installation will be completed.

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SCHEDULE OF FINDINGS AND RESPONSES – continued
For the year ended April 30, 2009

09-6 – Review of bank reconciliations

Finding: There is an inadequate system of control over review of the bank reconciliations.

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

Context/Condition: During the audit, we noted the Coliseum prepared a bank reconciliation which did not reconcile to the Coliseum's general ledger system. We also noted the reconciliation was marked as reviewed, despite the error.

Effect: Potential misappropriation of assets.

Recommendation: We recommend the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the Assistant General Manager of Finance. The review should include tests of mechanical accuracy, tracing of items on the reconciliation to the relevant source documents, and agreeing amounts to the general ledger. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded.

Response & Corrective Action Plan: At the time of the bank reconciliation, the ending bank balance agreed with the general ledger. It is at this point in time the reconciliation was marked reviewed. Although the Finance Department cannot explain how or why a change occurred, an after the fact change was made thus causing the discrepancy.

All bank reconciliations are reviewed by the Assistant General Manager – Finance. In addition, the Assistant General Manager – Finance will begin a program of testing for accuracy and tracing items.

U.S. CELLULAR COLISEUM
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
For the year ended April 30, 2009

Prior Finding Follow Up

<u>Prior Finding</u>	<u>Condition</u>	<u>Status</u>
08-1	There is an inadequate segregation of duties over cash receipts and cash disbursements cycles at the U.S. Cellular Coliseum.	Repeated
08-2	There is not a formal review of non-standard journal entries prior to them being posted.	Repeated
08-3	Inadequate system of controls over the preparation of financial statements.	Repeated
08-4	The U.S. Cellular Coliseum has an inadequate system of controls over BMI concessions change fund.	Not Repeated
08-5	The U.S. Cellular Coliseum has an inadequate system of controls over the receipt of funds for parking pass sales.	Not Repeated
08-6	There is an inadequate system of physical controls over the security of assets of the U.S. Cellular Coliseum.	Repeated
08-7	The U.S. Cellular Coliseum has an inadequate system of controls over the disbursement of commissions.	Not Repeated
08-8	U.S. Cellular Coliseum information technology internal/security controls are not formalized.	Not Repeated