BLOOMINGTON COLISEUM
(AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

AS OF AND FOR THE YEAR ENDED APRIL 30, 2017

BLOOMINGTON COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2017

BAKER TILLY

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bloomington, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Bloomington Coliseum, an enterprise fund of the City of Bloomington, as of and for the year ended April 30, 2017, 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 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.

Auditors' 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 auditors' 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 over financial reporting relevant to the Bloomington Coliseum'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 Bloomington Coliseum's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the City Council
City of Bloomington, Illinois

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bloomington Coliseum as of April 30, 2017, and the changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bloomington Coliseum and do not purport to, and do not, present fairly the financial position of the City of Bloomington, as of April 30, 2017, and the changes in financial position, or 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of the Bloomington 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 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 the Bloomington Coliseum's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
October 26, 2017

BLOOMINGTON COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
STATEMENT OF NET POSITION
AS OF APRIL 30, 2017

Assets:	
Current assets:	
Cash and investments	$ 1,633,635
Receivables, net of allowances for uncollectibles	195,010
Inventory	41,398
Prepaid items	12,220
Total current assets	1,882,263
Capital assets:	
Land	444,524
Construction in progress	383,585
Other depreciable capital assets, net of accumulated depreciation	22,796,152
Total capital assets, net of accumulated depreciation	23,624,261
Total assets	25,506,524
Deferred outflows of resources:	
Deferred outflows of resources related to pensions	1,028
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	823,702
Unearned revenue	359,719
Current portion of capital lease payable	213,601
Current portion of loans payable	60,000
Total current liabilities	1,457,022
Long-term liabilities:	
Capital lease payable, noncurrent portion	1,510,376
Loans payable, noncurrent portion	189,999
Total long-term liabilities	1,700,375
Total liabilities	3,157,397
Net Position:	
Net investment in capital assets	21,650,285
Unrestricted	699,870
Total net position	$ 22,350,155

See accompanying Notes to Financial Statements

BLOOMINGTON 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, 2017

Operating revenues:	
Events	$ 792,229
Club seat rentals	14,608
Suite rentals	162,207
Concession and novelty revenue	1,005,814
Parking fees	8,557
Advertising and naming rights	227,675
Coliseum and box office rental	432,745
Total operating revenues	2,643,835
Operating expenses:	
Salaries and benefits	1,667,039
Office operations	188,581
Promoter expense	205,554
Travel and entertainment	47,930
Advertising	96,644
Utilities	388,984
Insurance	93,671
Repairs and maintenance	292,618
Operating supplies	7,839
Professional fees	623,076
Depreciation	1,026,309
Commissions	26,442
Other	1,989
Rental expense	6,040
Total operating expenses	4,672,716
Net operating loss	(2,028,881)
Nonoperating revenues (expenses):	
Home rule sales tax	1,282,752
Interest expense	(37,317)
Investment income (loss)	(6,101)
Gain on disposal of assets	507
Contributions to the City of Bloomington	(1,282,752)
Contributions from the City of Bloomington	2,348,626
Total nonoperating revenues (expenses)	2,305,715
Change in net position	276,834
Net position, beginning of year	22,073,321
Net position, end of year	$ 22,350,155

See accompanying Notes to Financial Statements

BLOOMINGTON COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2017

Cash flows from operating activates:	
Received from customers	$ 2,694,305
Paid to suppliers for goods and services	(1,610,649)
Paid to employees	(1,668,067)
Net cash from operating activities	(584,411)
Cash flows from noncapital financing activates:	
Receipts of intergovernmental revenues	1,282,752
Contributions from the City of Bloomington	2,348,626
Contributions to the City of Bloomington	(1,282,752)
Change in due to City of Bloomington	(1,376,083)
Net cash from noncapital financing activities	972,543
Cash flows from capital and related financing activities:	
Principal repayments on capital leases	(180,836)
Principal repayments on loans payable	(50,000)
Capital lease proceeds	1,455,269
Interest paid	(37,317)
Acquisition and construction of capital assets	(64,680)
Gain/Loss on sale of equipment	507
Net cash from capital and related financing activities	1,122,943
Cash flows from investing activities	
Interest and dividends received	(6,101)
Net cash from investing activities	(6,101)
Net increase in cash and cash equivalents	1,504,974
Cash and cash equivalents, beginning of year	128,661
Cash and cash equivalents, end of year	$ 1,633,635

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, 2017

Reconciliation of operating loss to net cash from operating activities:	
Operating loss	$ (2,028,881)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities	
Depreciation	1,026,309
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	426,096
(Increase) decrease in prepaid items	(18,588)
(Increase) decrease in inventory	70,934
(Increase) decrease in deferred outflows	(1,028)
Increase (decrease) in accounts payable	316,374
Increase (decrease) in unearned revenue	(375,627)
Net cash from operating activities	$ (584,411)

See accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bloomington 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 VenuWorks, Inc.; 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Coliseum is considered a special-purpose government engaged only in business-type activities.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Revenue Recognition (continued)

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 a budgeted allocation that are recognized ratably each month 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.

Assets, Deferred Outflows of Resources, Liabilities, and Net Position

Deposits 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.

Illinois Statutes authorize the Coliseum to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

The Coliseum utilizes the City of Bloomington's investment policy. The policy contains for the following guidelines for allowable deposits and investments:

<u>Interest Rate Risk</u> – The policy limits its exposure by structuring the portfolio so that investments will have short term durations due to cash flow needs as well as avoiding the need to sell securities prior to maturity.

<u>Credit Risk</u> – The policy requires that US Government Agency securities have a rating of AAA, taxable municipal bonds have a rating of AA or higher or are insured to equate to a AAA rating so long as no more than 10% of the total portfolio is invested in taxable municipal bonds, and that commercial paper have a rating of A-1, P-1, F-1, or D-1 provided that no single investment in a commercial paper exceeds $2 million in face value with a maturity of no longer than 180 days.

<u>Concentration of Credit Risk</u> – The policy requires the portfolio to diversify in order to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific user, 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 Illinois Funds, the Coliseum will not have more than 30% of its investible funds in any one institution or type of investment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

Deposits and Investments (continued)

Custodial Credit Risk – Deposits – The policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution to the extent of 102% of the value of the deposit.

Custodial Credit Risk – Investments – The policy require all securities to be secured through third-party custody and safekeeping procedures. The investment policy limits investments with any one financial institution to 30% of available funds.

Accounts Receivable

The Coliseum states accounts receivable at the amounts billed to customers. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. A receivable is considered past due if any portion of the balance is outstanding for more than 30 days.

Inventory

Inventories are generally used for operation and maintenance work. They are not for resale. They are valued at cost based on FIFO and charged to operation and maintenance expense when used.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

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 cost of more than $5,000 ($25,000 for building improvements) and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Unearned Revenue

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

Long-Term Obligations

All long-term obligations are reported as liabilities and consist of capital leases and loans payable.

Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets – This represents the Coliseum's total investment in capital assets, net of accumulated depreciation and related debt.

Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of resources derived from user fees, state appropriations, and certain taxes. These resources are used for transactions relating to the general operations of the Coliseum and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

The Coliseum's deposits and investment as of April 30, 2017 were comprised of deposits with financial institutions with a carrying value of $1,583,435 and cash on hand with a carrying value of $50,200.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a financial institution failure, the Coliseum's deposits may not be returned to the Coliseum. As of April 30, 2017, the Coliseum had total bank balances of $1,301,470, of which $1,051,470 is uninsured and uncollateralized.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, net of uncollectibles, as of April 30, 2017 is comprised of the following amounts:

Advertising and other	$ 195,010
Due from Central Illinois Arena Management, Inc.	267,309
Gross receivables	462,319
Less: Allowance for uncollectible	267,309
Net total accounts receivable	$ 195,010

NOTE 4 – CAPITAL ASSETS

A summary of capital assets as of April 30, 2017 is as follows:

	Balance April 30, 2016	Additions	Deletions	Balance April 30, 2017
Capital assets, not being depreciated:				
Land	$ 444,524	$ -	$ -	$ 444,524
Construction in progress	205,287	325,328	147,030	383,585
Total capital assets, not being depreciated	649,811	325,328	147,030	828,109
Capital assets, being depreciated:				
Building	22,600,346	-	-	22,600,346
Machinery and equipment	9,731,084	264,578	-	9,995,662
Total capital assets, being depreciated	32,331,430	264,578	-	32,596,008
Less accumulated depreciation for:				
Building	(4,644,955)	(407,888)	-	(5,052,843)
Machinery and equipment	(4,128,592)	(618,421)	-	(4,747,013)
Total accumulated depreciation	(8,773,547)	(1,026,309)	-	(9,799,856)
Total capital assets, being depreciated, net	23,557,883	(761,731)	-	22,796,152
Total capital assets, net	$ 24,207,694	$ (436,403)	$ 147,030	$ 23,624,261

NOTE 5 – LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended April 30, 2017, was as follows:

	Balance April 30, 2016	Increases	Decreases	Balance April 30, 2017	Amounts Due Within 1 Year
Capital lease payable	$ 71,348	$ 1,833,465	$ 180,836	$ 1,723,977	$ 213,601
Loans payable	299,999	-	50,000	249,999	60,000
Total long-term obligations	$ 371,347	$ 1,833,465	$ 230,836	$ 1,973,976	$ 273,601

Capital Lease Payable

On May 27, 2015, the City entered into a capital lease agreement to finance the purchase of equipment for the Coliseum. The lease calls for semi-annual payments of principal and interest of $9,343 with an interest rate of 2.1% until November 22, 2019. Equipment under the capital lease carries a cost of $89,951 and accumulated depreciation of $21,477 as of April 30, 2017.

On July 22, 2016, the City entered into a capital lease agreement to finance the purchase of equipment for the Coliseum. The lease calls for monthly payments of principal and interest of $5,213 with an interest rate of 2.15% until June 2022. Equipment under the capital lease carries a cost of $231,166 and accumulated depreciation of $0 as of April 30, 2017.

On July 22, 2016, the City entered into an additional capital lease agreement to finance the purchase of equipment for the Coliseum. The lease calls for monthly payments of principal and interest of $14,628 with an interest rate of 2.75% until June 2027. Equipment under the capital lease carries a cost of $147,030 and accumulated depreciation of $17,154 as of April 30, 2017.

The future minimum lease obligations and the net present value on these minimum lease payments as of April 30, 2017, are as follows:

Years	Principal	Interest	Total
2018	$ 213,601	$ 43,171	$ 256,772
2019	219,077	37,696	256,773
2020	224,694	32,078	256,772
2021	211,674	26,413	238,087
2022	164,640	21,318	185,958
2023 - 2027	690,291	41,092	731,383
Totals	$ 1,723,977	$ 201,768	$ 1,925,745

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Loans Payable

In April 2016, the City entered into a loan agreement VenuWorks, the management company for the Coliseum, for equipment totaling $299,999. Payments are made monthly beginning on July 1, 2016 and ending on June 1, 2021.

Debt service requirements to maturity for loans payable are as follows:

Years	Principal	Interest	Total
2018	$ 60,000	$ -	$ 60,000
2019	60,000	-	60,000
2020	60,000	-	60,000
2021	60,000	-	60,000
2022	9,999	-	9,999
Totals	$ 249,999	$ -	$ 249,999

NOTE 6 – RISK MANAGEMENT

The Coliseum is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee health, and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage during the fiscal year or the previous two fiscal years.

In addition, the City of Bloomington maintains internal service funds for its self-insured 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.

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 $590,000 for liability losses. The City has purchased commercial insurance for coverage in excess of self-insured retentions and for other risks of losses.

NOTE 7 – ACTIVITY WITH THE OTHER CITY OF BLOOMINGTON FUNDS

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, 2017, the General Fund of the City transferred $2,348,626 to the Coliseum Fund for capital outlays, repairs and maintenance, and other operating costs, and the Coliseum transferred $1,282,752 to the 2004 Coliseum Bond Redemption Fund (a sub-fund of the Debt Service Fund) of the City.

NOTE 8 – DEVELOPMENT AND MANAGEMENT AGREEMENT

The City and VenuWorks, Inc. entered into an agreement for professional management services in April 2016. The terms of the agreement commenced on July 1, 2016 and expire on June 30, 2021, with an option to extend for an additional five-year renewal upon mutual agreement of the parties. The agreement requires VenuWorks to make a capital investment of $299,999 for the purchase of equipment and fixtures from the previous management company and the option to make an additional capital investment of $450,000 for the purchase of new equipment, furniture and fixtures for the Coliseum. These capital investments will be in the form of loans from the City, which will be paid back over a five-year term. Venuworks will receive a base management fee (increasing annually by CPI), 5% of gross food & beverage sales and 5% of gross sales from contractually obligation income (COI) streams, including advertising, sponsorship, pouring rights, and naming rights revenue. As of April 30, 2017, the Coliseum owes Venuworks $81,739.

BAKER TILLY

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*

INDEPENDENT AUDITORS' REPORT

To 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 Bloomington Coliseum, an enterprise fund of the City of Bloomington, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Bloomington Coliseum's basic financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bloomington 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bloomington Coliseum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bloomington 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 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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001 that we consider to be a significant deficiency.

To the City Council
City of Bloomington, Illinois

As part of obtaining reasonable assurance about whether the Bloomington Coliseum'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bloomington Coliseum's Response to Finding

The Bloomington Coliseum's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Bloomington Coliseum'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 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
October 26, 2017

2017-001

Criteria:
A properly functioning internal control system must include segregation of duties. Auditing standards require the auditors to communicate weaknesses in the City's system of internal controls.

Condition:
A cornerstone of effective internal control is the existence of policies to support segregation of duties; this involves separation of the initiation, execution, approval and recording responsibilities for transactions. Due to the relatively small size of the Coliseum's finance office, we noted that there are several deficiencies related to proper segregation of duties. These deficiencies, and compensating controls implemented to mitigate resulting risks, include:

- Journal entries posted to the Coliseum's financial accounting software, including year-end accruals, are not reviewed and approved by someone other than the original preparer. As a compensating control, VenuWorks corporate office personnel review and approve monthly financial statements and bank statements.

- The individual preparing bank reconciliations is not independent of the cash disbursement and cash receipts processes. As a compensating control, VenuWorks corporate office personnel review and approve monthly financial statements and bank statements.

- Individuals with the ability to prepare purchase orders have check signing authority on the accounts payable account. As a compensating control, VenuWorks requires dual signatures on all checks.

- The individual responsible for entering event and concession revenues into the financial accounting software deposits cash receipts from events.

The presence of the risks identified above expose the Coliseum to the possibility that errors or irregularities could occur as part of the financial process and not be detected by the City or Coliseum staff. Exposure to some of these deficiencies may be inherent due to the Coliseum's limited number of business office staff. In addition to the compensating controls in place, the Coliseum should review its operations and practices to ensure that segregation can be implemented where appropriate or implement further compensating controls to mitigate the risks caused by inadequate segregation of duties.

Cause:
Limitations in staffing at the Coliseum does not allow for proper segregation of duties.

Effect or Potential Effect:
A lack of segregation of duties or proper management oversight could result in material errors in key financial processes that lead to undetected material errors in the financial statements.

Responses:
Journal entries – Individual journal entries/accruals are not reviewed and approved; however, a compensating control exists through the review of monthly financial statements and an annual on-site internal review conducted by VenuWorks corporate office. VenuWorks corporate office also reviews balance sheet reconciliation spreadsheets on a periodic basis.

Bank reconciliations – VenuWorks provides a compensating control through the review of bank statements and reconciliations as part of the approval of monthly financials.

Cash disbursements – VenuWorks provides a compensating control by requiring two (2) signatures on all checks. This control mitigates the risk of a single person creating a PO, preparing and signing a check.

Event and concession revenue – VenuWorks agrees with this comment. In the future VenuWorks will have an individual, independent of the Finance and Food & Beverage Departments, prepare deposits for concession revenues.