

U.S. CELLULAR 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, 2016

U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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ACCOUNTANT'S COMPILATION REPORT

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

We have compiled 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, 2016, which collectively comprise the Coliseum's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the City of Bloomington, Illinois is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
February 27, 2017

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

STATEMENT OF NET POSITION
AS OF APRIL 30, 2016

Assets:

Current assets:

Cash and investments	\$ 128,661
Receivables, net of allowances for uncollectibles	621,107
Inventory	22,810
Prepaid items	83,154
Total current assets	855,732

Capital assets:

Land	444,524
Construction in progress	205,287
Other depreciable capital assets, net of accumulated depreciation	23,557,882
Total capital assets, net of accumulated depreciation	24,207,693

Total assets	25,063,425
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Liabilities:

Current liabilities:

Accounts payable and accrued expenses	507,328
Due to the City of Bloomington	1,376,083
Unearned revenue	735,346
Current portion of capital lease payable	17,282
Current portion of loans payable	50,000
Total current liabilities	2,686,039

Long-term liabilities:

Capital lease payable, noncurrent portion	54,066
Loans payable, noncurrent portion	249,999
Total long-term liabilities	304,065

Total liabilities	2,990,104
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Net Position:

Net investment in capital assets	23,836,346
Unrestricted	(1,763,025)
Total net position	\$ 22,073,321

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, 2016

Operating revenues:

Events	\$ 809,079
Club seat rentals	16,140
Suite rentals	267,286
Concession and novelty revenue	595,573
Ticket services	202,440
Parking fees	105,591
Advertising and naming rights	851,251
Coliseum and box office rental	<u>484,435</u>
Total operating revenues	<u>3,331,795</u>

Operating expenses:

Salaries and benefits	1,611,798
Office operations	53,001
Promoter expense	1,034,025
Travel and entertainment	36,435
Advertising	50,301
Utilities	339,731
Insurance	155,351
Repairs and maintenance	125,360
Operating supplies	1,106
Professional fees	273,282
Depreciation	923,836
Commissions	80,155
Other	406,008
Rental expense	<u>23,976</u>
Total operating expenses	<u>5,114,365</u>

Net operating loss	<u>(1,782,570)</u>
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Nonoperating revenues (expenses):

Home rule sales tax	979,315
Interest expense	(874)
Investment income (loss)	(845)
Contributions to the City of Bloomington	(972,645)
Contributions from the City of Bloomington	<u>1,399,652</u>
Total nonoperating revenues (expenses)	<u>1,404,603</u>

Change in net position	(377,967)
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Net position, beginning of year	<u>22,451,288</u>
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Net position, end of year	<u>\$ 22,073,321</u>
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U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS

STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2016

Cash flows from operating activities:	
Received from customers	\$ 3,194,484
Paid to suppliers for goods and services	(2,917,117)
Paid to employees	<u>(1,611,798)</u>
Net cash from operating activities	<u>(1,334,431)</u>
Cash flows from noncapital financing activities:	
Receipts of intergovernmental revenues	979,315
Contributions from the City of Bloomington	1,399,652
Contributions to the City of Bloomington	(972,645)
Change in due to City of Bloomington	<u>1,136,083</u>
Net cash from noncapital financing activities	<u>2,542,405</u>
Cash flows from capital and related financing activities:	
Proceeds from loans issued	299,999
Principal repayments on capital leases	(18,603)
Interest paid	(874)
Acquisition and construction of capital assets	<u>(1,804,940)</u>
Net cash from capital and related financing activities	<u>(1,524,418)</u>
Cash flows from investing activities	
Interest and dividends received	<u>(845)</u>
Net cash from investing activities	<u>(845)</u>
Net increase in cash and cash equivalents	(317,289)
Cash and cash equivalents, beginning of year	<u>445,950</u>
Cash and cash equivalents, end of year	<u>\$ 128,661</u>

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

STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2016

Reconciliation of operating loss to net cash from operating activities:

Operating loss	\$ (1,782,570)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by (Used In) Operating Activities	
Depreciation	923,836
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(459,915)
(Increase) decrease in prepaid items	(33,626)
(Increase) decrease in inventory	(22,810)
Increase (decrease) in accounts payable	18,379
Increase (decrease) in ticket escrow payable	(300,329)
Increase (decrease) in unearned revenue	<u>322,604</u>
Net cash from operating activities	<u>\$ (1,334,431)</u>

U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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 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.

U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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, 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:

Interest Rate Risk – 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.

Credit Risk – 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.

Concentration of Credit Risk – 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.

U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, 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

U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Net Position (continued)

Unearned Revenue

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

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, 2016 were comprised of deposits with financial institutions with a carrying value of \$128,661.

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, 2016, the Coliseum had total bank balances of \$187,411, none of which is exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, net of uncollectibles, as of April 30, 2016 is comprised of the following amounts:

Advertising and other	\$ 378,352
Due from transitional accounts	242,755
Due from Central Illinois Arena Management, Inc.	<u>267,309</u>
Gross receivables	888,416
Less: Allowance for uncollectibles	<u>267,309</u>
Net total accounts receivable	<u><u>\$ 621,107</u></u>

U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 4 – CAPITAL ASSETS

A summary of capital assets as of April 30, 2016 is as follows:

	Balance April 30, 2015	Additions	Deletions	Balance April 30, 2016
Capital assets, not being depreciated:				
Land	\$ 444,524	\$ -	\$ -	\$ 444,524
Construction in progress	-	205,287	-	205,287
Total capital assets, not being depreciated	444,524	205,287	-	649,811
Capital assets, being depreciated:				
Building	22,600,346	-	-	22,600,346
Machinery and equipment	8,041,480	1,689,604	-	9,731,084
Total capital assets, being depreciated	30,641,826	1,689,604	-	32,331,430
Less accumulated depreciation for:				
Building	(3,726,120)	(918,836)	-	(4,644,956)
Machinery and equipment	(4,123,592)	(5,000)	-	(4,128,592)
Total accumulated depreciation	(7,849,712)	(923,836)	-	(8,773,548)
Total capital assets, being depreciated, net	22,792,114	765,768	-	23,557,882
Total capital assets, net	\$ 23,236,638	\$ 971,055	\$ -	\$ 24,207,693

NOTE 5 – 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.

U.S. CELLULAR COLISEUM
AN ENTERPRISE FUND OF THE CITY OF BLOOMINGTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 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, 2016, the Coliseum owed the General Fund of the City \$1,376,083. Management expects to repay the interfund payable using the future profits of the Coliseum and operating transfers from the General Fund within one year.

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, 2016, the General Fund of the City transferred \$1,399,652 to the Coliseum Fund for capital outlays, repairs and maintenance, and other operating costs, and the Coliseum transferred \$972,645 to the 2004 Coliseum Bond Redemption Fund (a sub-fund of the Debt Service Fund) of the City. During the fiscal year ended April 30, 2016, the Coliseum collected and remitted \$41,261 to the General Fund of the City for parking.

NOTE 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 expired 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. This agreement was terminated during fiscal year 2016. As of April 30, 2016, CIAM owes the Coliseum \$267,309, an amount of which the Coliseum currently considers to be uncollectible.

In April 2016, the City entered into an initial agreement with VenuWorks, Inc. to manage the U.S. Cellular Coliseum. A long-term agreement commenced on July 1, 2016 and expires on June 30, 2021, with an option to extend for an additional five-year renewal upon mutual agreement of the parties.