

**U.S. Cellular Coliseum  
(An Enterprise Fund of the City of  
Bloomington, Illinois)**

Financial and Compliance Report

04.30.2007

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# McGladrey & Pullen

Certified Public Accountants

## 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 (deficit) of the U.S. Cellular Coliseum, an enterprise fund of the City of Bloomington, Illinois, as of April 30, 2007 and the related statements of revenues, expenses and changes in fund net assets (deficit) 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, 2007 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. Furthermore, management has chosen not to present a Management's Discussion and Analysis for the U.S. Cellular Coliseum's fund financial statements that accounting principles generally accepted in the United States of America require to supplement the basic financial statements.

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, 2007, 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 20, 2007 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.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
September 20, 2007

**U. S. Cellular Coliseum**  
**(An Enterprise Fund of the City of Bloomington, Illinois)**

**Statement of Net Assets (Deficit)**  
**April 30, 2007**

**Assets**

Current assets:	
Cash and investments	\$ 1,212,563
Accounts receivable	356,063
Prepaid items	10,981
<b>Total current assets</b>	<u>1,579,607</u>
Noncurrent assets:	
Capital assets	
Land	448,524
Construction	22,540,261
Machinery and equipment	7,869,437
	<u>30,858,222</u>
Less accumulated depreciation	989,396
	<u>29,868,826</u>
Bond issuance costs	253,170
Bond discounts	322,110
Interfund receivables	4,993,034
<b>Total noncurrent assets</b>	<u>35,437,140</u>
<b>Total assets</b>	<u>37,016,747</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	442,693
Accrued expenses	3,833
Ticket escrow payable	61,138
Accrued interest payable	772,138
Unearned revenue	1,278,516
<b>Total current liabilities</b>	<u>2,558,318</u>
Long-term liabilities:	
Bonds payable	29,455,000
Interfund advances	6,695,544
<b>Total noncurrent liabilities</b>	<u>36,150,544</u>
<b>Total liabilities</b>	<u>38,708,862</u>
<b>Net Assets (Deficit)</b>	
Invested in capital assets, net of related debt	989,106
Unrestricted	(2,681,221)
<b>Total net assets (deficit)</b>	<u>\$ (1,692,115)</u>

See 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 (Deficit)**  
**Year Ended April 30, 2007**

Operating revenues:	
Events, net of direct expenses of \$87,907	\$ 820,019
Club seat rentals	556,072
Suite rentals	559,810
Concession and novelty revenue	408,710
Ticket services	474,902
Parking fees	68,123
Advertising and naming rights	955,211
Coliseum and box office rental	399,462
Other income	97,265
<b>Total operating revenues</b>	<u>4,339,574</u>
Operating expenses:	
Salaries and benefits	1,648,039
Office operations	133,062
Promoter expense	177,072
Travel and entertainment	34,698
Advertising	348,706
Utilities	504,486
Insurance	302,417
Repairs and maintenance	383,759
Operating supplies	154,616
Professional fees	921,129
Depreciation	915,619
Amortization of bond issuance costs and bond discount	21,306
Commissions	196,519
Other	55,763
<b>Total operating expenses</b>	<u>5,797,191</u>
<b>Net operating loss</b>	<u>(1,457,617)</u>
Nonoperating revenues (expenses):	
Investment earnings	62,284
Interest expense	(1,853,130)
<b>Total nonoperating revenues (expenses)</b>	<u>(1,790,846)</u>
Transfers in	6,008,505
Transfers out	(1,098,429)
Capital contributions	1,327,740
<b>Change in net assets</b>	<u>2,989,353</u>
Net assets (deficit), beginning	(4,681,468)
Net assets (deficit), ending	<u>\$ (1,692,115)</u>

See Notes to Financial Statements.

**U. S. Cellular Coliseum**  
**(An Enterprise Fund of the City of Bloomington, Illinois)**

**Statement of Cash Flows**  
**Year Ended April 30, 2007**

Cash flows from operating activities:	
Cash received from rentals, ticket sales and other	\$ 4,044,918
Cash paid to suppliers	(3,440,113)
Cash paid to employees	(1,697,514)
<b>Net cash (used in) operating activities</b>	<u>(1,092,709)</u>
Cash flows from noncapital financing activities:	
Proceeds from interfund accounts	1,921,756
Payments on interfund accounts	(4,993,034)
Transfers in	6,008,505
Transfers out	(1,098,429)
<b>Net cash provided by noncapital financing activities</b>	<u>1,838,798</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(153,880)
Interest payments	(1,853,130)
<b>Net cash (used in) capital and related financing activities</b>	<u>(2,007,010)</u>
Cash flows provided by investing activities, investment earnings	<u>62,284</u>
<b>Net (decrease) in cash and cash equivalents</b>	(1,198,637)
Cash and cash equivalents, beginning	<u>2,411,200</u>
Cash and cash equivalents, ending	<u>\$ 1,212,563</u>
Reconciliation of operating loss to net cash (used in) operating activities:	
Operating loss	\$ (1,457,617)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	915,619
Amortization	21,306
Decrease in:	
Accounts receivable	876,318
Prepaid items	419,372
(Decrease) in:	
Accounts payable	(647,258)
Accrued expenses	(49,475)
Ticket escrow payable	(583,652)
Unearned revenue	(587,322)
<b>Net cash (used in) operating activities</b>	<u>\$ (1,092,709)</u>
Supplemental disclosure of noncash capital and related financing activities, capital assets acquired through capital contributions	\$ 1,327,740

See Notes to Financial Statements.

**U.S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies**

**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.; 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.

**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.

Trade receivables: Trade 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. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A trade 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.

The receivable portion of the agreement is included in other assets while the liability portion is included in the unearned revenue on the statement of net assets.

Capital assets: Capital assets include land, construction, 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.

**U.S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

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, 2007.

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

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

Interfund transactions: Transactions between the Coliseum and other City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "interfund advances" in the financial statements.

Revenue recognition: Event revenue is reported net of the expenses paid to entertainers and promoters. It includes both rental revenue and revenue from events where the Coliseum participates on a percentage basis in the net revenues.

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.



U.S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)

Notes to Financial Statements

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

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.

Bond premium, discounts and issuance costs: Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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.

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, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. 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. Restricted net assets include unspent bond proceeds, net of related debt.

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.

**U.S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

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**Note 2. Cash and Investments**

A reconciliation of cash and investments as of April 30, 2007 is as follows:

Box office change	\$ 10,000
Concessions change	25,100
Demand deposits	1,177,463
	<u>\$ 1,212,563</u>

Authorized investments: State statutes authorize the Coliseum to make deposits in interest bearing depository accounts in federally insured and/or state chartered banks and savings and loan associations, or other financial institutions as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, money market mutual funds whose portfolios consist of governmental securities, Illinois Funds Money Market Fund and annuities.

The Coliseum'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 Coliseum'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 Coliseum 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 Coliseum's investment policy, each investment shall seek to first ensure that capital losses are avoided. As such, the Coliseum 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 Coliseum 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 Coliseum 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, 2007.

**U.S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

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**Note 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 Coliseum does not have a policy over credit risk.

Concentration of credit risk: It is the Coliseum'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 Coliseum will not have more than 50 percent of its investible funds in any one institution or type of investment. The Coliseum did not have any investments as of April 30, 2007.

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.

It is the policy of the Coliseum to secure its assets 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.

As of April 30, 2007, none of the City's bank balance of \$1,385,423 was exposed to custodial credit risk.

**Note 3. Accounts Receivable**

Accounts receivable as of April 30, 2007 are comprised of the following amounts:

Advertising and trade	\$	325,168
Due from Central Illinois Arena Management, Inc.		6,250
Due from BMI Concessions, Inc.		12,132
Due from B-N Football, LLC		935
Due from BMI Hockey, LLC		11,578
	\$	<u>356,063</u>

**Note 4. Accounts Payable**

Accounts payable as of April 30, 2007 are comprised of the following amounts:

Operations and trade	\$	423,931
Due to Central Illinois Arena Management, Inc.		17,012
Due to B-N Football, LLC		1,750
	\$	<u>442,693</u>

**U.S. Cellular Coliseum**  
**(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

**Note 5. Capital Assets**

A summary of capital assets as of April 30, 2007 is as follows:

	Balance April 30, 2006	Additions	Deletions	Balance April 30, 2007
Capital assets, not being depreciated:				
Land	\$ 448,524	\$ -	\$ -	\$ 448,524
Construction-in-progress	-	1,391,154	1,391,154	-
<b>Total capital assets, not being depreciated</b>	<b>448,524</b>	<b>1,391,154</b>	<b>1,391,154</b>	<b>448,524</b>
Capital assets, being depreciated:				
Construction	21,218,919	1,321,342	-	22,540,261
Machinery and equipment	7,709,159	160,278	-	7,869,437
<b>Total capital assets, being depreciated</b>	<b>28,928,078</b>	<b>1,481,620</b>	<b>-</b>	<b>30,409,698</b>
Less accumulated depreciation for:				
Construction	31,828	405,207	-	437,035
Machinery and equipment	41,949	510,412	-	552,361
<b>Total accumulated depreciation</b>	<b>73,777</b>	<b>915,619</b>	<b>-</b>	<b>989,396</b>
<b>Total capital assets, being depreciated, net</b>	<b>28,854,301</b>	<b>566,001</b>	<b>-</b>	<b>29,420,302</b>
<b>Total capital assets, net</b>	<b>\$ 29,302,825</b>	<b>\$ 1,957,155</b>	<b>\$ 1,391,154</b>	<b>\$ 29,868,826</b>

**Note 6. Long-Term Debt**

A summary of the long-term debt is as follows:

	Balance April 30, 2006	Additions	Retirements	Balance April 30, 2007	Due Within One Year
General obligation bonds, taxable	\$ 29,455,000	\$ -	\$ -	\$ 29,455,000	\$ -

**U.S. Cellular Coliseum**  
**(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

**Note 6. Long-Term Debt (Continued)**

Taxable General Obligation Bonds, Series 2004: Bear interest at 5.5 percent to 6.38 percent, which is due on June 1 and December 1 of each year, while principal amounts mature serially on December 1 beginning on December 1, 2011. The outstanding general obligation bonds mature as follows:

	Principal	Interest	Total
April 30, 2007	\$ -	\$ 1,853,130	\$ 1,853,130
April 30, 2008	-	1,853,130	1,853,130
April 30, 2009	-	1,853,130	1,853,130
April 30, 2010	-	1,853,130	1,853,130
April 30, 2011	-	1,853,130	1,853,130
April 30, 2012 - 2016	850,000	9,146,854	9,996,854
April 30, 2017 - 2021	2,135,000	8,765,501	10,900,501
April 30, 2022 - 2026	5,075,000	7,669,875	12,744,875
April 30, 2027 - 2031	9,430,000	5,437,814	14,867,814
April 30, 2032 - 2035	11,965,000	1,618,460	13,583,460
	<u>\$ 29,455,000</u>	<u>\$ 41,904,154</u>	<u>\$ 71,359,154</u>

**Note 7. Risk Management**

The Coliseum is exposed to various risks of loss related to torts; theft of, damage to or the destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. There have been no significant reductions in insurance coverage nor have settled claims from these risks exceeded commercial insurance coverage in any of the past two fiscal years.

**Note 8. Interfund Activity**

Interfund balances 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, 2007, the Coliseum owed various other funds of the City \$6,695,544. Management expects to repay the interfund payable using the future profits of the Coliseum. As of April 30, 2007, the Coliseum was owed \$4,993,034 from the General Fund of the City.

Transfers 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, 2007, various other funds of the City transferred \$6,008,505 to the Coliseum Fund. During fiscal year ended April 30, 2007, the Coliseum transferred \$1,098,429 to various other funds of the City.

**U.S. Cellular Coliseum**  
**(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

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**Note 9. 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 \$367,442 during the year ended April 30, 2007.

**Note 10. New Governmental Accounting Standards Board (GASB) Statements**

The Coliseum implemented the following GASB statements during the year ended April 30, 2007:

- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. This Statement had no effect on the Coliseum.
- GASB Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the Coliseum to the plan, the plan has been communicated to the employees and the amount can be estimated. This Statement had no effect on the Coliseum.

The GASB has issued several statements not yet implemented by the Coliseum:

- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the Coliseum beginning with its year ending April 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*, issued June 2004, will be effective for the Coliseum beginning with its year ending April 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information.

**U.S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Notes to Financial Statements**

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**Note 10. New Governmental Accounting Standards Board (GASB) Statements (Continued):**

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, is effective for the Coliseum beginning with its year ending April 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.
- GASB Statement No. 49, *Accounting for Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the Coliseum beginning with its year ending April 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the Coliseum to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.
- GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the Coliseum beginning with its year ending April 30, 2009. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Coliseum beginning with its year ending April 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. GASB Statement No. 51 provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

The Coliseum's management has not yet determined the effect these Statements will have on the Coliseum's financial statements.

# McGladrey & Pullen

Certified Public Accountants

## **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, 2007, and have issued our report thereon dated September 20, 2007. 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 07-II-A to 07-II-F.



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. We believe items 07-II-A to 07-II-E 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 20, 2007.

The Coliseum's response 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.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
September 20, 2007

**U. S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Schedule of Findings and Responses  
Year Ended April 30, 2007**

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**I. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Reportable conditions in internal control over financial reporting:**

**07-II-A**

Finding: There is an inadequate segregation of duties over the cash receipts transaction cycle at the Coliseum. A good system of internal control policies and procedures contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Criteria: A significant deficiency is a control deficiency that adversely affects the entity's ability to authorize, initiate, 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 entity's financial statements that is more than inconsequential will not be prevented or detected. 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.

Context/Condition: In gaining an understanding of the U.S. Cellular Coliseum's internal control, we noted there was some segregation of duties in that the Administrative Assistant enters bank deposits for miscellaneous and box office receipts into the system, the Finance Manager reconciles the bank statements, and the Finance Director reviews the bank reconciliations. However, all three of these employees may at times collect cash for miscellaneous receipts, have access to post non-standard journal entries into Quickbooks and post receipts into the system. In addition to collecting cash and having the ability to post entries to the system, the Finance Director also creates the deposits for miscellaneous receipts and takes these funds to the bank and signs checks. We also noted the April 2007 bank reconciliation was not formally signed off by the Finance Director providing evidence it was approved.

Effect: Potential misappropriation of assets.

Recommendation: We recommend collection of or handling of cash through deposits, receipting into the system, bank reconciliation, and billing functions be segregated and performed by different employees. In addition, the review of the bank reconciliations by the Finance Director should include documentation that the review has taken place.

Response and Corrective Action Plan: The actual bank deposit for the box office checking account is created in the box office and delivered to the bank by Loomis. The administrative assistant enters the bank deposits into Quickbooks.

(Continued)

**U. S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Schedule of Findings and Responses (Continued)  
Year Ended April 30, 2007**

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The administrative assistant "receives" payments for miscellaneous receipts and the director of finance creates the bank deposits. The director of finance delivers the bank deposits to the box office and the bank deposits are delivered to the bank by Loomis. On occasion, but not typically, a bank deposit may be hand delivered to the bank in a secured bank bag. If a bank deposit is hand delivered, the deposit is placed in the bank bag and secured in the presence of the administrative assistant.

It is not economically feasible nor is it cost effective at this time for CIAM to add additional personnel to enable additional segregation of duties. Also, Quickbooks does not easily allow for segregation of duties with regard to cash receipts.

The finance department will continue with the segregation of duties as per the 2006-2007 audit response.

**07-II-B**

Finding: There is an inadequate segregation of duties over the cash disbursement transaction cycle at the Coliseum. A good system of internal control policies and procedures contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Criteria: A significant deficiency is a control deficiency that adversely affects the entity's ability to authorize, initiate, record, process, or report financial data reliability 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 entity's financial statements that is more than inconsequential will not be prevented or detected. 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.

Context/Condition: In gaining an understanding of the U.S. Cellular Coliseum's internal control, we noted that departments complete their own purchasing and receiving of goods and then submit bill payment forms to management for approval of the payment of the bills. Currently, the Administrative Assistant enters invoices and print checks, the Finance Manager prepares the bank reconciliations and the Finance Director reviews the bank reconciliations and signs the checks. However, all finance staff have the ability to create new vendors, enter invoices, print checks and post nonstandard journal entries. The Finance Director is also an authorized check signer and monitors checks sequence. The approved bill payment forms and invoices are not matched to the check register after the checks have been printed. In addition, there is not a formal procedure in place for following up on unmatched invoices.

Effect: Potential misappropriation of assets.

(Continued)

**U. S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)**

**Schedule of Findings and Responses (Continued)  
Year Ended April 30, 2007**

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Recommendation: We recommend the Coliseum adopt the City's purchasing policy which would include implementing a master vendor list. We further recommend segregating the entering of invoices, the printing of checks, and the bank reconciliation process or the ability or access into the system to do these functions. Matching of the invoices, approved bill payment forms and signed checks should be performed and compared with the check register from the system. A process should be put in place for following up on unmatched invoices. The Coliseum should consider central purchasing or, at a minimum, segregating the receiving of goods from purchasing. The Coliseum should also consider dual check signing and placing dollar limits on this control.

Response and Corrective Action Plan: Bill payment forms and invoices are matched to the check register. In addition, no bill is paid and no check is printed without first pulling the invoice and bill payment form. Therefore, there are no unmatched invoices.

It is not economically feasible nor is it cost effective at this time for CIAM to add additional personnel to enable additional segregation of duties. Also, Quickbooks does not easily allow for segregation of duties with regard to cash disbursements.

The finance department will continue with the segregation of duties as per the 2006-2007 audit response.

With regard to adopting the City's purchasing policy which would include a master vendor list, CIAM has an established list of vendors through which purchases are made. Although there is no formal list in writing, after discussing this with the Director of Operations, he verbally gave the Director of Finance a list of approved vendors that CIAM has made purchases from since the Coliseum has opened. If necessary, we will put this list in writing.

Also, with the upcoming year, a detail of each department's expenses are given monthly to the department heads for review.

**07-II-C**

Finding: There is not an adequate system over the recording and reporting of the entity's financial transactions. In addition, there is no formal review of nonstandard journal entries prior to them being posted.

Criteria: A significant deficiency is a control deficiency that adversely affects the entity's ability to authorize, initiate, 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 entity's financial statements that is more than inconsequential will not be prevented or detected. 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.

(Continued)

U. S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)

Schedule of Findings and Responses (Continued)  
Year Ended April 30, 2007

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Context/Condition:

- The Coliseum and/or the City does not reconcile interfund balances and transfers as well as charges and reimbursements between the Coliseum and the City on a monthly basis.
- The CIAM employee entering nonstandard journal entries into the system also initiates the journal entries. There are no standard forms for these entries as they are entered directly into QuickBooks from the back-up documentation received. CIAM's management and the Finance Director review a Detail Transaction List on a monthly basis which includes adjusting journal entries; however, there is no formal documentation this review has taken place.

Effect: Potential misappropriation of assets and/or a material misstatement in the financial statements could occur.

Recommendation:

- We recommend the Coliseum and/or the City reconcile interfund balances and transfers as well as charges and reimbursements between the Coliseum and the City on a monthly basis to ensure transactions are appropriate. Any duplication of entries should be eliminated.
- 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: The Coliseum's finance department will work with the City of Bloomington's finance department to balance the interfund balances and transfers, as well as charges and reimbursements between the Coliseum and the City.

All journal entries are being reviewed and approved by CIAM Management (Mike Nelson, John Butler or Jerry McBurney). Mike Nelson and the director of finance will review the Profit and Loss Detail Report on a monthly basis and sign off on it at the time of review.

(Continued)

U. S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)

Schedule of Findings and Responses (Continued)  
Year Ended April 30, 2007

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07-II-D

Finding: There is an inadequate segregation of duties over the payroll transaction cycle.

Criteria: A significant deficiency is a control deficiency that adversely affects the entity's ability to authorize, initiate, 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 entity's financial statements that is more than inconsequential will not be prevented or detected. 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.

Context/Condition: CIAM's finance department employees have the ability to adjust their time in the ABI system and/or the ADP interface file and the ability to make changes to the original pay rates set by the department heads. The same employees can enter new employees into the ABI system and terminate employees. In addition, the payroll checks are first brought to the finance department before being distributed. The review of time reports, changes to employee master files and bank reconciliations are performed by the same employees. We also noted through our sample selection of payroll testing that proper documentation was not maintained in an employee's personnel file supporting an employee's wage rate.

Effect: Potential misappropriation of assets could occur.

Recommendation: We recommend CIAM limit rights to the ABI system to segregate the functions of time entry, the ability to edit employee master files including changing of pay rates and creating new employees in ABI, and handling of the payroll checks before distribution. Changes to the employee master files should be reviewed and documented by appropriate supervisory personnel.

Response and Corrective Action Plan: As per audit point 06-II-G from the 2005-2006 audit, McGladrey and Pullen, LLP recommended the Coliseum should establish an internal control system over the hiring of employees which would include human resource involvement, establishing pay rates, performing annual reviews and establishing merit increases. As per your recommendation, the human resource department now, with department head approval, establishes pay rates in ABI. No new employee is entered in ABI without the proper documentation and identification received from the department head, along with a new hire information form that includes the pay rate and approval from the department head.

Also, the existing payroll procedures requires new employees to be entered into ABI by finance since the employee ID is based on the ADP employee ID and only finance can enter new employees into ADP. An employee entered into ABI by someone other than finance will not have a legitimate employee ID and cannot be paid by ADP.

(Continued)

U. S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)

Schedule of Findings and Responses (Continued)  
Year Ended April 30, 2007

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With regard to payroll checks, they are delivered from a carrier (in a sealed plastic bag) contracted from ADP and delivered to the receptionist. Typically, the bag is opened and reports are removed by the finance manager and the receptionist files the checks in alphabetical order. The checks are then distributed at the box office. All employees picking up their checks must sign for their check.

We will continue to work with the department heads to make sure all personnel files are complete prior to entering a new employee.

It is not economically feasible nor is it cost effective at this time for CIAM to add additional personnel to enable additional segregation of duties. At this time, the finance department will continue to only have access to ADP and will continue with the above mentioned procedures until such time where it warrants adding additional personnel to further segregate payroll functions.

**07-II-E**

Finding: There is not a system in place to identify and reconcile trade/in-kind agreement activity including trade payables and expenditures, trade receivables and revenues. In addition, deferred revenues including deferred suites and sponsorships are not being accounted for properly and reconciled to the general ledger.

Criteria: A significant deficiency is a control deficiency that adversely affects the entity's ability to authorize, initiate, 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 entity's financial statements that is more than inconsequential will not be prevented or detected. 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.

Context/Condition: The trade/in-kind agreements and related transactions as well as deferred revenue for suites and sponsorships are not being reconciled to the general ledger on a monthly basis.

Effect: Potential material misstatement of the financial statements.

Recommendation: A system should be established to track all trade/in-kind activity as well as proper recognition of deferred revenue/revenue for suites and sponsorships. This system should provide the information necessary to evaluate or record the transaction in the accounting system and should provide information as the trade is used. A reconciliation of these transactions to the general ledger should be performed on a monthly basis.

(Continued)

U. S. Cellular Coliseum  
(An Enterprise Fund of the City of Bloomington, Illinois)

Schedule of Findings and Responses (Continued)  
Year Ended April 30, 2007

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Response and Corrective Action Plan: Signed trade agreements with values are currently submitted to the finance department as they are established. On a monthly basis, the vice president of marketing provides the finance department with a master list of all sponsorship agreements. This list includes trade values, cash sponsorships and tickets, and is matched to the agreements and reviewed for accuracy by the director of finance and the administrative assistant.

We will request, on a quarterly basis, information from those trades the dollar value of expenses incurred.

**07-II-F**

Finding: Information technology internal/security controls such as password management, documentation of operational procedures and incident management and resolution procedures are not formalized. In addition, there is no real physical security controls over computing facilities and communications equipment housed at the Coliseum.

Criteria: A significant deficiency is a control deficiency that adversely affects the entity's ability to authorize, initiate, 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 entity's financial statements that is more than inconsequential will not be prevented or detected.

Context/Condition: During our review of the information technology system, we noted controls such as password management, documentation of operational procedures and incident management and resolution procedures are not formalized.

Effect: Increased risk for unauthorized access to the Coliseum's system.

Recommendation: We recommend the Coliseum implement the information technology controls outlined above.

Response and Corrective Action Plan: The U.S. Cellular Coliseum's I.T. infrastructure is managed by the City Information Services Department. All Coliseum employees are required to sign the same communications policy as City employees.

Password management has not been implemented at the Coliseum to date, but is planned in the near future. Coliseum employees will be required to change their password on a 90 day schedule, similar to City employees.

Physical access to the main server room at the Coliseum will be addressed within the coming months. Although the exact means has yet to be determined, City I.T. staff is working with Coliseum management to implement some form of physical security for this room. Although the door is currently always locked, the idea would be to install some form of keypunch or card access system to increase security.