

**WILL COUNTY METROPOLITAN EXPOSITION AND
AUDITORIUM AUTHORITY
JOLIET, ILLINOIS
(A MUNICIPAL CORPORATION)**

**COMPONENT UNIT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Will County Metropolitan Exposition and Auditorium Authority (Authority), a component unit of the City of Joliet, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such 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 for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of revenue and expense – enterprise fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedule of insurance data on pages 46 through 47 and the schedule of organizational data on page 48 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Wernier, Rogers, Doran + Rogers, LLC

February 11, 2013

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion And Analysis For The Year Ended June 30, 2012

Our discussion and analysis of the Will County Metropolitan Exposition and Auditorium Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Authority's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The Authority's net assets decreased by \$289 thousand, or 6 percent, as a result of this year's operations. Net assets of our governmental activities increased by \$107 thousand, or 11 percent while net assets of our business-type activities decreased by \$397 thousand, or 10 percent.

During the year, the Authority's governmental activities had revenues of \$277 thousand as compared to revenues of \$312 thousand in the prior year. This represented a decrease in revenues of \$35 thousand or 11 percent. The Authority's governmental activities had expenditures of \$39 thousand for the current year as compared to expenditures of \$34 thousand for the prior year.

In the Authority's business-type activities, revenues increased from \$3.9 million to \$4.2 million or 10 percent while expenses increased from \$4.3 million to \$4.8 million or 10 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets (on pages 10 and 11) and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Authority as a whole and present a long-term view of the Authority's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most significant funds.

The Statement Of Net Assets And The Statement Of Activities

Our analysis of the Authority as a whole begins on page 4. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets (the difference between assets and liabilities) as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's revenue base and the condition of the Authority's buildings, to assess the overall health of the Authority.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion And Analysis For The Year Ended June 30, 2012

In the Statement of Net Assets and the Statement of Activities, we divide the Authority into two kinds of activities:

- 1) **Governmental Activities** – Most of the Authority's basic services are reported here, including general administrative, development and sustaining, capital campaign and endowment, and fundraising. Grants and contributions finance most of these activities.
- 2) **Business - Type Activities** – The Authority charges fees to patrons to help it cover all or most of the costs of certain services it provides. The Authority's operations of the Rialto Square Theatre, the Rialto Office Complex, and Two Rialto Square are reported here.

Reporting The Authority's Most Significant Funds

Fund Financial Statements

Our analysis of the Authority's major funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. However, the Authority's Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money. The Authority's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental Funds – Most of the Authority's administration and management services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources than can be spent in the near future to finance the Authority's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation to the right of fund financial statements.

Proprietary Funds – When the Authority charges patrons and tenants for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Authority's enterprise fund (a proprietary fund) is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE AUTHORITY AS A WHOLE

The Authority's combined net assets decreased by about 6 percent – from \$4.8 million to \$4.5 million. Governmental activities increased while business-type activities decreased. Business-type activities decreased by about 10 percent while the governmental activities increased by about 11 percent. The decreases in business type activity and increases in governmental activity can be attributed to fewer transfers from the Rialto Square Theatre Foundation to the Will County Metropolitan Exposition and Auditorium Authority. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Authority's governmental and business-type activities:

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion And Analysis For The Year Ended June 30, 2012

Table 1 - Condensed Statement Of Net Assets, June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current And Other Assets	\$ 1,299,169	\$ 1,202,397	\$ 248,789	\$ 386,643	\$ 1,547,958	\$ 1,589,040
Capital Assets (Net)	-	-	6,797,295	7,211,790	6,797,295	7,211,790
Total Assets	1,299,169	1,202,397	7,046,084	7,598,433	8,345,253	8,800,830
Long-Term Liabilities	-	-	2,639,461	2,802,646	2,639,461	2,802,646
Other Liabilities	200,634	211,165	988,503	981,054	1,189,137	1,192,219
Total Liabilities	200,634	211,165	3,627,964	3,783,700	3,828,598	3,994,865
Net Assets						
Invested In Capital Assets, Net Of Related Debt	-	-	4,157,834	4,409,144	4,157,834	4,409,144
Restricted For Permanent Funds	681,843	556,591	-	-	681,843	556,591
Restricted For Capital Improvements	47,013	36,600	-	-	47,013	36,600
Unrestricted	369,679	398,041	(739,714)	(594,411)	(370,035)	(196,370)
Total Net Assets	\$ 1,098,535	\$ 991,232	\$ 3,418,120	\$ 3,814,733	\$ 4,516,655	\$ 4,805,965

The net assets of the Authority's governmental activities increased by \$107 thousand. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by \$28 thousand. This decrease is attributable to computer supply costs, consulting fees, and increased general grants to the Authority from the Foundation.

The net assets of the Authority's business-type activities decreased by 10 percent (\$3.4 million compared to \$3.8 million). Unrestricted net assets decreased by \$145 thousand. The Authority generally can only use these net assets to finance the continuing operations of the Rialto Square Theatre, the Rialto Office Complex, and Two Rialto Square.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion And Analysis For The Year Ended June 30, 2012

Table 2 Condensed Statement Of Changes In Net Assets, Year Ended June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues:						
Charges For Services	\$ -	\$ -	\$ 3,508,232	\$ 3,061,063	\$ 3,508,232	\$ 3,061,063
Operating Grants And Contributions	253,443	108,721	731,508	792,628	984,951	901,349
Capital Grants And Contributions	1,455	73,263	-	-	1,455	73,263
General Revenues:						
Interest And Investment Earnings	14,041	114,976	157	277	14,198	115,253
Total Revenues	<u>268,939</u>	<u>296,960</u>	<u>4,239,897</u>	<u>3,853,968</u>	<u>4,508,836</u>	<u>4,150,928</u>
Program Expenses						
General Administration	30,205	19,448	-	-	30,205	19,448
Development And Sustaining	8,610	5,429	-	-	8,610	5,429
Fundraising	-	5,924	-	-	-	5,924
Capital Campaign And Endowment	683	3,170	-	-	683	3,170
Rialto Square Theatre	-	-	3,617,851	3,111,403	3,617,851	3,111,403
Rialto Office Complex	-	-	717,183	722,739	717,183	722,739
Two Rialto Square	-	-	431,516	512,162	431,516	512,162
Total Expenses	<u>39,498</u>	<u>33,971</u>	<u>4,766,550</u>	<u>4,346,304</u>	<u>4,806,048</u>	<u>4,380,275</u>
Excess Revenues Over (Under)						
Expenses Before Contributions To						
Permanent Funds And Transfers	229,441	262,989	(526,653)	(492,336)	(297,212)	(229,347)
Contributions To Permanent Funds	7,902	14,867	-	-	7,902	14,867
Transfers	(130,040)	(238,982)	130,040	238,982	-	-
Change In Net Assets	<u>107,303</u>	<u>38,874</u>	<u>(396,613)</u>	<u>(253,354)</u>	<u>(289,310)</u>	<u>(214,480)</u>
Net Assets Beginning	<u>991,232</u>	<u>952,358</u>	<u>3,814,733</u>	<u>4,068,087</u>	<u>4,805,965</u>	<u>5,020,445</u>
Net Assets Ending	<u>\$ 1,098,535</u>	<u>\$ 991,232</u>	<u>\$ 3,418,120</u>	<u>\$ 3,814,733</u>	<u>\$ 4,516,655</u>	<u>\$ 4,805,965</u>

The Authority's total revenues increased by \$351 thousand or 8 percent. The total costs of all programs and services increased by \$426 thousand or 10 percent. Our analysis that follows separately considers the operations of governmental and business-type activities.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion And Analysis For The Year Ended June 30, 2012

Governmental Activities

Revenues for the Authority's governmental activities decreased by \$35 thousand or 11 percent while total expenses increased by \$6 thousand or 16 percent.

Table 3 presents the cost of each of the Authority's four governmental activity categories – general administration, development and sustaining, capital campaign and endowment, and fundraising, – as well as each category's *net* cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Authority by each of these functions.

The general administrative category included professional fees, office expenses, trust fees, newspaper publications, and other miscellaneous expenses. Development and sustaining includes development expenses and sustaining fund expenses. Capital campaign and endowment includes all expenses related to the capital campaign and endowment acquisition. Fundraising includes all fundraising expenses.

Table 3 Governmental Activities, Year Ended June 30,

	Total Cost Of Services		Net Cost Of (Surplus From) Services	
	2012	2011	2012	2011
General Administrative	\$ 30,205	\$ 19,448	(\$ 218,028)	(\$ 83,897)
Development And Sustaining	8,610	5,429	8,610	5,429
Capital Campaign & Endowment	683	3,170	(5,982)	(75,469)
Fundraising	-	5,924	-	5,924
Totals	\$ 39,498	\$ 33,971	(\$ 215,400)	(\$ 148,013)

Business-Type Activities

Revenues of the Authority's business-type activities (see Table 2) increased by \$386 thousand or 10 percent while expenses increased by \$420 thousand or 10 percent. The Authority's business-type activities are comprised of three separate and distinct activities: these activities are Rialto Square Theatre, Rialto Office Complex, and Two Rialto Square.

Operating revenue from the Rialto Square Theatre increased by \$399 thousand or 16 percent, while operating costs increased by \$508 thousand or 16 percent. The revenue increase is mostly attributable to ticket income which increased from \$1.2 million to \$1.9 million. The expense increase is mostly attributable to other production expense which increased from \$563 thousand to \$791 thousand and event marketing which increased from \$176 thousand to \$213 thousand.

Operating revenue from the Rialto Office Complex increased by \$9 thousand or 4 percent while expenses decreased by \$500. The increase in revenue is mainly due to increases in office and commercial rent.

Operating revenue from Two Rialto Square increased by \$39 thousand or 10 percent while expenses decreased by nearly \$80 thousand or 16 percent. The increase in revenue is due to an increase in office and commercial rent of \$38 thousand.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion And Analysis For The Year Ended June 30, 2012

THE AUTHORITY'S FUNDS

As the Authority completed the year, its governmental funds (as presented in the balance sheet on pages 14-15) reported a *combined* fund balance of \$1.1 million, which is above last year's total of \$991 thousand. The Authority's governmental funds experienced an increase of \$86 thousand in their cash and investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the Authority had \$6.8 million invested in a broad range of capital assets, including land, buildings, building improvements, and furniture and equipment. (See Table 4 below.)

Table 4 Capital Assets At Year End (Net Of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	2012	2011	2012	2011	2012	2011
Land	\$ -	\$ -	\$ 580,737	\$ 580,737	\$ 580,737	\$ 580,737
Buildings	-	-	1,057,319	1,131,525	1,057,319	1,131,525
Building Improvements	-	-	4,629,618	4,972,745	4,629,618	4,972,745
Furniture And Equipment	-	-	474,684	515,857	474,684	515,857
Construction In Progress	-	-	54,937	10,926	54,937	10,926
Totals	\$ -	\$ -	\$ 6,797,295	\$ 7,211,790	\$ 6,797,295	\$ 7,211,790

This year's major additions included the following:

Terra Cotta Repair Project	\$ 37,509
Rialto Square Theatre Orchestra Pit Repair Project	6,502

More detailed information about the Authority's capital assets is presented in Note 6 to the financial statements.

Debt Administration

At year end, the Authority had \$2,639,461 in debt outstanding. Outstanding debt at year end was as follows:

Promissory Note	<u>\$ 2,639,461</u>
	<u>\$ 2,639,461</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Management's Discussion And Analysis For The Year Ended June 30, 2012

The promissory note was established for the University of Saint Francis build-out as well as the Lambrecht hospitality suite renovations. More detailed information about the Authority's long-term debt is presented in Note 13 to the financial statements.

ECONOMIC FACTORS

The Authority's business-type activities have operated at a loss in previous years. Subsidies received in the form of grants from the City of Joliet offset a substantial portion of these losses. The City of Joliet appropriates support to the Authority on a year-to-year basis with no commitments extending beyond the current year. The Authority therefore continues to remain economically dependent on the City of Joliet.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority's administrative office, 15 East Van Buren Street, Joliet, Illinois 60432.

Component Unit

Rialto Square Theatre Foundation

Separate financial statements may be obtained at the Authority's administrative office, 15 East Van Buren Street, Joliet, Illinois 60432.

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BASIC FINANCIAL STATEMENTS

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement Of Net Assets June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 222,543	\$ 146,855	\$ 369,398
Investments	182,229	-	182,229
Accounts Receivable	-	46,814	46,814
Pledges Receivable - Current	11,244	-	11,244
Accrued Interest Receivable	4	-	4
Prepaid Expenses	-	137,986	137,986
Grant Advance	9,455	-	9,455
Internal Balances	112,453	(112,453)	-
Inventory	6,877	29,587	36,464
	<hr/>	<hr/>	<hr/>
Total Current Assets	544,805	248,789	793,594
 Noncurrent Assets			
Restricted Assets			
Cash	122,968	-	122,968
Investments	620,393	-	620,393
Pledges Receivable - Non Current	11,003	-	11,003
Capital Assets (Net)			
Land	-	580,737	580,737
Buildings	-	1,057,319	1,057,319
Building Improvements	-	4,629,618	4,629,618
Furniture And Equipment	-	474,684	474,684
Construction In Progress	-	54,937	54,937
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	754,364	6,797,295	7,551,659
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 1,299,169	\$ 7,046,084	\$ 8,345,253

See Accompanying Notes To Basic Financial Statements.

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable And Accrued Expenses	\$ -	\$ 311,505	\$ 311,505
Accrued Payroll And Benefits	-	72,042	72,042
Current Portion Of Long-Term Debt	-	32,548	32,548
Due To Bondholders	56,355	-	56,355
Deferred Revenue	98	505,809	505,907
Due To Volunteers	144,181	-	144,181
Other	-	99,147	99,147
Total Current Liabilities	<u>200,634</u>	<u>1,021,051</u>	<u>1,221,685</u>
Noncurrent Liabilities			
Long-Term Debt	<u>-</u>	<u>2,606,913</u>	<u>2,606,913</u>
Total Noncurrent Liabilities	<u>-</u>	<u>2,606,913</u>	<u>2,606,913</u>
Total Liabilities	<u>200,634</u>	<u>3,627,964</u>	<u>3,828,598</u>
NET ASSETS			
Invested In Capital Assets, Net Of Related Debt	-	4,157,834	4,157,834
Restricted For Endowments	681,843	-	681,843
Restricted For Capital Improvements	47,013	-	47,013
Unrestricted	<u>369,679</u>	<u>(739,714)</u>	<u>(370,035)</u>
Total Net Assets	<u>1,098,535</u>	<u>3,418,120</u>	<u>4,516,655</u>
Total Liabilities And Net Assets	<u>\$ 1,299,169</u>	<u>\$ 7,046,084</u>	<u>\$ 8,345,253</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement Of Activities For The Year Ended June 30, 2012

Functions / Programs	<u>Expenses</u>	<u>Program Charges For Services</u>
Governmental Activities:		
General Administration	\$ 30,205	\$ -
Development And Sustaining	8,610	-
Capital Campaign And Endowment	683	-
	<hr/>	<hr/>
Total Governmental Activities	39,498	-
	<hr/>	<hr/>
Business-Type Activities:		
Rialto Square Theatre	3,617,851	2,826,141
Rialto Office Complex	717,183	261,904
Two Rialto Square	431,516	420,187
	<hr/>	<hr/>
Total Business-Type Activities	4,766,550	3,508,232
	<hr/>	<hr/>
Total	\$ 4,806,048	\$ 3,508,232
	<hr/>	<hr/>

See Accompanying Notes To Basic Financial Statements.

Revenues		Net (Expense) Revenue And Changes In Net Assets		
Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
\$ 248,233	\$ -	\$ 218,028	\$ -	\$ 218,028
-	-	(8,610)	-	(8,610)
5,210	1,455	5,982	-	5,982
253,443	1,455	215,400	-	215,400
54,072	-	-	(737,638)	(737,638)
677,436	-	-	222,157	222,157
-	-	-	(11,329)	(11,329)
731,508	-	-	(526,810)	(526,810)
\$ 984,951	\$ 1,455	215,400	(526,810)	(311,410)
General Revenues:				
Interest And Investment Earnings		14,041	157	14,198
Contributions To Permanent Funds		7,902	-	7,902
Transfers		(130,040)	130,040	-
Total General Revenues And Transfers		(108,097)	130,197	22,100
Change In Net Assets		107,303	(396,613)	(289,310)
Net Assets - Beginning		991,232	3,814,733	4,805,965
Net Assets - Ending		\$ 1,098,535	\$ 3,418,120	\$ 4,516,655

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Governmental Funds Balance Sheet June 30, 2012

	<u>General Fund</u>	<u>Endowment Fund</u>
ASSETS		
Cash	\$ 273,968	\$ 71,543
Investments	96,015	706,607
Pledges Receivable	22,247	-
Accrued Interest Receivable	1	3
Grant Advance	9,455	-
Internal Receivables	237,702	84,841
Inventory	6,877	-
	<hr/>	<hr/>
Total Assets	\$ 646,265	\$ 862,994
	<hr/>	<hr/>
LIABILITIES		
Due To Bondholders	\$ 56,355	\$ -
Deferred Revenue	-	98
Internal Payables	41,978	168,112
Due To Volunteers	144,181	-
	<hr/>	<hr/>
Total Liabilities	242,514	168,210
	<hr/>	<hr/>
FUND BALANCES		
Nonspendable:		
Endowments	-	681,843
Inventory	6,877	-
Restricted For:		
Capital Projects	47,013	-
Assigned To:		
General Fund For Future Operations	192,440	-
Budgetary Deficits	-	12,941
Unassigned	157,421	-
	<hr/>	<hr/>
Total Fund Balance	403,751	694,784
	<hr/>	<hr/>
Total Liabilities And Fund Balance	\$ 646,265	\$ 862,994
	<hr/>	<hr/>

See Accompanying Notes To Basic Financial Statements.

Reconciliation Of Governmental Funds Balance Sheet
To Statement Of Net Assets
June 30, 2012

**Total
Governmental
Funds**

\$ 345,511	Total Fund Balance - Governmental Funds	\$ 1,098,535
802,622		
22,247		
4	<i>Amounts reported for governmental activities in the</i>	
9,455	<i>Statement of Net Assets are currently the same as</i>	
322,543	<i>amounts reported in this statement</i>	-
6,877		
<u>\$ 1,509,259</u>	Net Assets Of Governmental Activities	<u>\$ 1,098,535</u>
\$ 56,355		
98		
210,090		
<u>144,181</u>		
<u>410,724</u>		
681,843		
6,877		
47,013		
192,440		
12,941		
<u>157,421</u>		
<u>1,098,535</u>		
<u>\$ 1,509,259</u>		

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement Of Revenue, Expenditures, And Changes In Fund Balances Governmental Funds For The Year Ended June 30, 2012

	General Fund	Endowment Fund
Revenue		
Grants	\$ 18,300	\$ -
Government Grants	27,474	-
Fundraising	-	3,915
Sustaining Fund	71,128	-
Donations	5,210	-
Endowment Donations	-	113,513
Sponsorship Donations	6,000	-
Improvement Donations	1,455	-
Preservation Dues	-	7,902
Dividends	2,619	6,063
Other Investment Income	3,507	11,419
Interest	55	76
Unrealized Loss On Investments	(1,204)	(8,494)
Total Revenue	<u>134,544</u>	<u>134,394</u>
Expenditures		
Capital Campaign Expenditures	683	-
Professional Fees	6,800	-
Office Supplies	5,700	-
Development Expenditures	2,194	-
Sustaining Fund Expenditures	6,416	-
Miscellaneous	904	-
Trust Fees	1,489	7,409
Total Expenditures	<u>24,186</u>	<u>7,409</u>
Excess Of Revenue Over Expenditures	<u>110,358</u>	<u>126,985</u>
Other Financing (Uses)		
Transfers Out	(128,469)	(1,571)
Total Other Financing (Uses)	<u>(128,469)</u>	<u>(1,571)</u>
Net Change In Fund Balances	<u>(18,111)</u>	<u>125,414</u>
Fund Balances, Beginning Of Year	<u>421,862</u>	<u>569,370</u>
Fund Balances, End Of Year	<u>\$ 403,751</u>	<u>\$ 694,784</u>

See Accompanying Notes To Basic Financial Statements.

Reconciliation Of The Statement Of Revenues,
Expenditures And Changes In Fund Balances Of
Governmental Funds To The Statement Of Activities
For The Year Ended June 30, 2012

Total Governmental Funds			
\$ 18,300	Net Change In Fund Balance - Governmental Funds	\$	107,303
27,474			
3,915	<i>Amounts reported for governmental activities in the</i>		
71,128	<i>Statement of Activities are currently the same as</i>		
5,210	<i>amounts reported in this statement.</i>		
113,513			-
6,000			
1,455	Change In Net Assets Of Governmental Funds	\$	107,303
7,902			
8,682			
14,926			
131			
(9,698)			
268,938			
683			
6,800			
5,700			
2,194			
6,416			
904			
8,898			
31,595			
237,343			
(130,040)			
(130,040)			
107,303			
991,232			
\$ 1,098,535			

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement Of Net Assets Proprietary Fund June 30, 2012

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
ASSETS	
Current Assets	
Cash And Cash Equivalents	\$ 146,855
Trade Receivables	46,814
Prepaid Expenses	137,986
Internal Receivables	182,573
Inventory	<u>29,587</u>
Total Current Assets	<u>543,815</u>
Noncurrent Assets	
Capital Assets	
Land	580,737
Buildings	13,791,221
Building Improvements	6,703,107
Furniture And Equipment	970,559
Construction In Progress	<u>54,937</u>
	22,100,561
Less Accumulated Depreciation	<u>15,303,266</u>
Total Capital Assets	<u>6,797,295</u>
Total Noncurrent Assets	<u>6,797,295</u>
Total Assets	<u>\$ 7,341,110</u>

See Accompanying Notes To Basic Financial Statements.

	<div>Business-Type Activities</div> <div>Enterprise Fund</div>
LIABILITIES	
Current Liabilities	
Accounts Payable And Accrued Expenses	\$ 311,505
Accrued Payroll And Benefits	72,042
Current Portion Of Long-Term Debt	32,548
Deferred Revenue	505,809
Internal Payables	295,026
Other	99,147
Total Current Liabilities	<u>1,316,077</u>
Noncurrent Liabilities	
Long-Term Debt	<u>2,606,913</u>
Total Noncurrent Liabilities	<u>2,606,913</u>
Total Liabilities	<u>3,922,990</u>
NET ASSETS	
Invested In Capital Assets, Net Of Related Debt	4,157,834
Unrestricted	(739,714)
Total Net Assets	<u>3,418,120</u>
Total Liabilities And Net Assets	<u>\$ 7,341,110</u>

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WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement Of Revenue, Expense, And Changes In Net Assets
Proprietary Fund
For The Year Ended June 30, 2012

	Business-Type Activities
	Enterprise Fund
Operating Revenue	
Rentals And Reimbursements - Office And Commercial	\$ 657,655
Theatre Related Revenue	2,753,840
Other	96,737
Total Operating Revenue	<u>3,508,232</u>
Operating Expense	
Salaries	1,124,407
Benefits	247,401
Professional Services	37,307
Advertising And Promotion	314,443
Administrative	45,420
Insurance	170,099
Real Estate Expense	962
Custodial And Maintenance	238,631
Utilities	242,330
Artist Fees	515,759
House Expense	289,639
Production Expense	941,642
Depreciation	458,506
Total Operating Expense	<u>4,626,546</u>
Operating (Loss)	(<u>1,118,314</u>)
Nonoperating Revenue (Expense)	
Interest Income	157
Interest Expense	(140,004)
Support From City Of Joliet	677,436
In-Kind Contributions	<u>54,072</u>
Total Nonoperating Revenue (Expense)	<u>591,661</u>
Net (Loss) Before Transfers	(526,653)
Transfers	
Transfers In	<u>130,040</u>
Change In Net Assets	(396,613)
Total Net Assets, Beginning Of Year	<u>3,814,733</u>
Total Net Assets, End Of Year	<u>\$ 3,418,120</u>

See Accompanying Notes To Basic Financial Statements.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Statement Of Cash Flows Proprietary Fund For The Year Ended June 30, 2012

	Business-Type Activities
	Enterprise Fund
Cash Flows From Operating Activities	
Cash Received From Customers And Donors	\$ 3,563,143
Cash Paid To Suppliers For Goods And Services	(2,810,955)
Cash Payments For Employees Services	(1,377,907)
Net Payments To Fiduciary Funds	<u>24,087</u>
Net Cash (Used In) Operating Activities	(601,632)
Cash Flows From Investing Activities	
Interest Received On Investments	<u>157</u>
Net Cash Provided By Investing Activities	<u>157</u>
Cash Flows From Noncapital Financing Activities	
Support From The City Of Joliet	677,436
Payments From Other Funds	<u>155,843</u>
Net Cash Provided By Noncapital Financing Activities	<u>833,279</u>
Cash Flows From Capital And Related Financing Activities	
Purchases Of Capital Assets	(19,173)
Payments Of Long-Term Debt	(163,185)
Payments Of Interest	<u>(140,004)</u>
Net Cash (Used In) Capital And Related Financing Activities	(322,362)
Net Decrease In Cash	(90,558)
Cash, Beginning Of Year	<u>237,413</u>
Cash, End Of Year	<u>\$ 146,855</u>

See Accompanying Notes To Basic Financial Statements.

	Business-Type Activities <hr/> Enterprise Fund <hr/>
Reconciliation Of Operating (Loss) To Net Cash (Used In) Operating Activities	
Operating (Loss)	(\$ 1,118,314)
Adjustments To Reconcile Operating (Loss) To Net	
Cash (Used In) Operating Activities	
Depreciation	458,506
In-Kind Contributions	29,234
Changes In Assets And Liabilities	
Trade Receivables	(4,844)
Due From Fiduciary Funds	24,087
Prepaid Expenses	3,724
Inventory	(1,474)
Accounts Payable And Accrued Expenses	(38,116)
Accrued Payroll And Benefits	(6,099)
Deferred Revenue	59,755
Other Payables	(8,091)
Total Adjustments	<u>516,682</u>
Net Cash (Used In) Operating Activities	(\$ <u>601,632</u>)
Noncash Capital And Related Financing Activities	
Capital Assets Acquired Through In-Kind Contribution	<u>\$ 24,838</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

1. Summary Of Significant Accounting Policies

Introduction

The Will County Metropolitan Exposition and Auditorium Authority (the Authority) was created under Illinois Public Act 80-909. The original purpose of the Authority was to rehabilitate and restore a historic building, the Rialto Square Theatre. Duties of the Authority consisted of promoting, operating and maintaining expositions and conventions in the metropolitan area for industrial, cultural, educational, theatrical, sports, trade and scientific exhibits and to construct, equip and maintain auditoriums and exposition buildings for such purposes. In 1982, the Act was amended to allow the Authority to lease property as an owner and change the Authority name from Joliet to Will County Metropolitan Exposition and Auditorium Authority.

The Authority implemented GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* during the fiscal year ended June 30, 2012, thereby eliminating the need to disclose accounting pronouncement election provisions under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*.

The accounting policies and the presentation of the basic financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Financial Reporting Entity

A component unit is included in a primary government's reporting entity if it is both fiscally dependent on the primary government and there is potential for the component unit to provide specific benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Based on the above criterion, the Will County Metropolitan Exposition And Auditorium Authority, for the year ended June 30, 2012, has met the definition of a component unit of the City of Joliet. The considerations for the Will County Metropolitan Exposition And Auditorium Authority to be a component unit of the City of Joliet are: selection of a majority of the governing board; ability to significantly influence the program, projects, activities, of level of service; and financial accountability.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

1. Summary Of Significant Accounting Policies

Blended Component Unit

The Rialto Square Theatre Foundation is a legally separate, tax exempt organization. The Foundation operates exclusively for charitable or educational purposes to support the Authority. The Authority provides the staffing to and funds various overhead costs of the Foundation. The Foundation is included as a blended component unit because the Authority has operational responsibility for them and the purpose of the Foundation is to provide a benefit to the Authority. Separate statements may be obtained from the Authority administrative office, 15 E Van Buren Street, Joliet, Illinois, 60432. The Authority did not omit from the financial statements any board or agency that met any inclusion criteria.

Basis Of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and nonexchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority's funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within these two categories. Currently, all funds of the Authority are considered major funds. A fund is considered major if it is the primary operating fund the Authority (General Fund) or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

1. Summary Of Significant Accounting Policies

Governmental Funds

Governmental funds are those through which most governmental functions of the Authority are financed. The Authority's expendable financial resources (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the Authority's governmental funds:

General Fund (Major Fund) - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Endowment Fund (Major Fund) - The Board of Directors of the Rialto Square Theatre Foundation established the Rialto Square Theatre Endowment Fund on January 1, 1989. The fund is to be supported through public gifts and contributions. The nonexpendable portion of this fund cannot be used or invaded for any purpose other than those specified by the donor. The expendable portion of this fund is used to account for the unrestricted earnings on the endowment fund that have not been expended or transferred to another fund.

Proprietary Funds

Proprietary funds are used to account for the Authority's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income. The Authority's proprietary fund is an enterprise fund. Enterprise funds are used to report an activity for which a fee is charged to external users for goods or services.

Enterprise Fund (Major Fund) - The Enterprise Fund provides for the operation of the Rialto Square Theatre and for the leasing of commercial property in the downtown Joliet area.

Measurement Focus And Basis Of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. on the following page.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

1. Summary Of Significant Accounting Policies

In the fund financial statements, the "current financial resources" measurement or the "economic resources" measurement is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis Of Accounting

Government-Wide Financial Statements

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using 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. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Authority and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Authority.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

1. Summary Of Significant Accounting Policies

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Funds

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonable estimate the amount. Available means collectable within sixty days or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidelines. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Charges for services and miscellaneous revenues (except for investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Revenues from Federal and State grants and similar programs are recognized when the Authority has done everything necessary to establish its right to the revenue. Usually, this is at the time an expenditure has been incurred for an authorized purpose.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resources focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

1. Summary Of Significant Accounting Policies

Use Of Resources Policy

The Authority considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted balances are available. Committed, assigned, and unassigned fund balances are considered to have been spent in that order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Expenditures incurred for a specifically identified purpose will reduce the specific identified classification of fund balance.

Capital Assets

Capital assets are stated on the basis of historical cost. Major capital asset additions are financed primarily from debt proceeds. Assets acquired through gifts or donations are recorded at their estimated fair value at the time of acquisition. The Authority has established a capitalization threshold of \$2,500 for buildings and improvements and \$2,500 for furniture and equipment.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives of 5 to 50 years using the straight-line method.

Budgets

State statute does not require the Authority to adopt a budget, therefore, budgetary information is not presented in the financial statements.

Cash And Cash Equivalents

For the purpose of the statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments of the Authority are stated at fair value (See note 2). Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Inventory

Inventory is carried at cost. Cost being determined on the first in first out basis.

Deferred Revenue

Deferred revenue at June 30, 2012 consists of theatre deposits, rotunda deposits, gift certificates, tickets on account, and ticket sales for future events.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements June 30, 2012

1. Summary Of Significant Accounting Policies

Advertising Costs

It is the Authority's policy to include in prepaid expenses amounts spent for advertising which relate to future performances. These amounts are then expensed when the related revenue is recognized. All other advertising costs are expensed when incurred.

Fund Balance

Under GASB 54, fund balances are required to be reported using five separate classifications as listed below. The Authority may not necessarily utilize each classification in a given fiscal year.

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, such as inventory in the General Fund or, for legal or contractual reasons, must be kept intact, such as the Endowment Fund.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution) by the Authority's highest level of decision-making authority, the Board of Directors.

Assigned fund balance – Amounts that are constrained by the Authority's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board of Directors. With the exception of the General Fund, assigned fund balance is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Use Of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements June 30, 2012

2. Cash And Investments

Deposits

At June 30, 2012, the carrying amount of the Authority's deposits was \$423,848 and the bank balance was \$538,717. Additionally, the Authority maintained cash on hand of \$7,000.

Custodial Credit Risk – this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2012, all of the Authority's bank balances were insured or fully collateralized.

Concentration of Credit Risk. – The Authority places no limit on the amount it may invest in any one issuer. At June 30, 2012, the Authority held investments in four mutual funds (three of which represent 5 percent or more of the total investments as depicted in the schedule on the following page).

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Authority's investment policy requires that short-term investments may only be invested in:

- 1) Certificates of deposit issued by the state and national banks, savings and loan associations, and credit unions domiciled in Joliet, IL, that are: a) guaranteed or insured by the Federal Deposit Insurance Corporation, other deposit insurance agencies, or their successors; or b) secured by the pledge of securities in the same manner as is required by the depository bank.
- 2) Obligations of the United States or its agencies and instrumentalities.
- 3) Direct obligations of the State of Illinois or its agencies.
- 4) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Illinois or the United States.
- 5) Fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described above.
- 6) Money market funds regulated by the Securities and Exchange Commission.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

2. Cash And Investments

Investments

Investments are carried at fair value. Unrealized Losses were \$9,698. All investments are expected to be held until maturity.

	<u>Fair Value</u>	<u>% Of Total Investments</u>
U.S. Treasury Money Market Fund	\$ 11,179	1.29%
Government Money Market Fund	61,518	7.12%
First Midwest Fixed Income Common Fund	339,764	39.32%
First Midwest Equity Common Fund	<u>451,679</u>	<u>52.27%</u>
Total Investments	<u>\$ 864,140</u>	<u>100.00%</u>

A reconciliation of the Authority's cash and investment balances as reported in the Statements of Net Assets and the deposits and investments presented in this note is as follows:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
<u>Reported As Cash:</u>			
Savings And Demand			
Deposit Accounts	\$ 362,527	\$ -	\$ 362,527
Certificates Of Deposit	45,526	-	45,526
Money Market Funds	15,795	61,518	77,313
Cash On Hand	-	-	7,000
Total Reported As Cash	<u>423,848</u>	<u>61,518</u>	<u>492,366</u>
<u>Reported As Investments:</u>			
U.S. Treasury Money Market	-	11,179	11,179
Mutual Funds	-	791,443	791,443
Total Reported As Investments	<u>-</u>	<u>802,622</u>	<u>802,622</u>
Total Cash And Investments	<u>\$ 423,848</u>	<u>\$ 864,140</u>	<u>\$ 1,294,988</u>
<u>Reconciliation Of Cash And Investments:</u>			
Statement Of Net Assets Cash Page 10		\$ 369,398	
Statement Of Net Assets Cash-Restricted Page 10		122,968	
Statement Of Net Assets Investments Page 10		182,229	
Statement Of Net Assets Investments-Restricted Page 10		<u>620,393</u>	
		<u>\$ 1,294,988</u>	

3. Restricted Assets

Restricted assets represent assets of the nonexpendable portion of the endowment fund. Restricted assets also include amounts on deposit for repayment of outstanding bearer bonds.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

4. Due To Bondholders

Due To Bondholders represents outstanding bonds related to Series 1983 support bonds issued. The balance includes bonds and coupons which have not been cancelled to date.

5. Compensated Absences

Employees of the Authority are entitled to paid vacation, sick and personal days off. Sick and personal time does not accrue from year to year and is only paid if used. The liability for earned but unpaid vacation of \$35,658 has been recorded in the accompanying financial statements as part of accrued expenses.

6. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balances July 1, 2011	Additions	Deletions	Balances June 30, 2012
Business-Type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 580,737	\$ -	\$ -	\$ 580,737
Construction In Progress	10,926	44,011	-	54,937
Subtotal	591,663	44,011	-	635,674
<i>Capital Assets Being Depreciated:</i>				
Buildings	13,791,221	-	-	13,791,221
Building Improvements	6,703,107	-	-	6,703,107
Furniture And Equipment	970,559	-	-	970,559
Total At Historical Cost	22,056,550	44,011	-	22,100,561
Less Accumulated Depreciation For:				
Buildings	12,659,696	74,206	-	12,733,902
Building Improvements	1,730,362	343,127	-	2,073,489
Furniture And Equipment	454,702	41,173	-	495,875
Total Accumulated Depreciation	14,844,760	458,506	-	15,303,266
Net Capital Assets	\$ 7,211,790	(\$ 414,495)	\$ -	\$ 6,797,295

7. Retirement Fund

The Authority contributes to the Central Pension Fund (CPF), a defined benefit pension program, for employees who are members of the International Union of Operating Engineers.

The Authority contributed \$2.20 per hour, up to 40 hours a week, for each participant. Payments for the year to CPF totaled \$12,214.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements June 30, 2012

8. Going Concern

The Authority's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Authority has sustained substantial operating losses in recent years.

The Authority's management continues to review both the commercial and theatre operations to find efficiencies and savings in operational costs. This includes cost containment processes, creation of corporate sponsorships, generation of new programs which create cash revenues to support the operations, rental rate and product rate increases. Additional commercial leasing will be pursued to further enhance the commercial operations of the Authority. Management expects these efforts along with seeking ways to add new revenue streams will provide the opportunity for the Authority to continue as a going concern.

9. Grants And Awards

The Authority receives a substantial amount of its support from the City of Joliet. A significant reduction in the level of this support, if this were to occur, may have an effect on the Authority's programs and activities.

10. Leases

The Authority is the lessor under operating leases expiring in various years.

Following is a summary of property on lease at June 30, 2012:

Buildings	\$ 6,711,291
Leaseholds Improvements	<u>4,335,899</u>
	11,047,190
Less Accumulated Depreciation	<u>7,331,243</u>
	<u>\$ 3,715,947</u>

Minimum future rentals to be received on non-cancelable leases as of June 30, 2012 for each of the next five years and in the aggregate are:

2013	\$ 592,493
2014	512,054
2015	381,684
2016	372,872
2017	<u>330,413</u>
	<u>\$ 2,189,516</u>

Rent expense for the year ended June 30, 2012 was \$62,928.

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements
June 30, 2012

11. Risk Management

The Authority is exposed to various risks of loss related to torts: theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover itself against these risks, the Authority has purchased insurance through several insurance companies.

The Authority accounts for its risk financing activities in the Enterprise Fund. There were no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded the insurance coverage in the last three years.

12. Interfund Balances And Transfers

At June 30, 2012, interfund balances were as follows:

<u>Fund</u>	Interfund	
	Receivable	Payable
General Fund		
Enterprise Fund	\$ 237,701	\$ 14,462
Endowment Fund	-	27,516
Enterprise Fund		
General Fund	14,462	295,026
Endowment Fund	168,111	-
Endowment Fund		
General Fund	27,516	-
Enterprise Fund	57,325	168,111
Grand Total	<u>\$ 505,115</u>	<u>\$ 505,115</u>

Interfund Transfers during the year ended June 30, 2012 were as follows:

<u>Fund</u>	Interfund	
	Transfers In	Transfers Out
General Fund		
Enterprise Fund	\$ -	\$ 128,469
Enterprise Fund		
General Fund	128,469	-
Endowment Fund	1,571	-
Endowment Fund		
Enterprise Fund	-	1,571
	<u>\$ 130,040</u>	<u>\$ 130,040</u>

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes To Basic Financial Statements June 30, 2012

13. Long-Term Debt

Long-term debt at June 30, 2012 consists of a promissory note due on January 1, 2017 with a fixed interest rate of 5.0%. The note requires fifty nine monthly payments, beginning February 1, 2012, principal and interest of \$15,090 each, and one irregular last payment estimated at \$2,412,963 due on January 1, 2017. The balance due on this loan at June 30, 2012 was \$2,639,461.

Cash paid for interest was \$140,004 during the year ended June 30, 2012. Interest expense has been included in the direct expenses of individual functions on the government-wide statement of activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related.

A summary of long-term liability activity for the year ended June 30, 2012 is as follows:

	Balances July 1, 2011	Additions	Reductions	Balances June 30, 2012
Business-Type Activities				
Revolving Line Of Credit	\$ 11,740	\$ -	\$ 11,740	\$ -
Promissory Note	2,790,906	-	151,445	2,639,461
Total	<u>\$ 2,802,646</u>	<u>\$ -</u>	<u>\$ 163,185</u>	<u>\$ 2,639,461</u>

As of June 30, 2012, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30,	Notes Payable	
	Principal	Interest
2013	\$ 32,548	\$ 144,429
2014	38,717	142,362
2015	40,900	140,179
2016	43,206	126,310
2017	<u>2,484,090</u>	<u>74,801</u>
Total Requirements	<u>\$ 2,639,461</u>	<u>\$ 628,081</u>

14. Subsequent Events

The Authority management has become aware of extensive repairs as well as preventative maintenance required to be performed on the exterior façade of the Authority buildings. The total cost of the project is estimated at approximately \$2,000,000 and is to be paid from proceeds of a \$2,200,000 State of Illinois DCEO grant. Work is scheduled to begin upon receipt of grant funds.

The Authority obtained a note in the amount of \$33,806.31 on November 1, 2012. The note matures on November 1, 2015 and has fixed interest rate of 5.0%. The note requires monthly payments, principal and interest, of \$1,013 each.

SUPPLEMENTARY INFORMATION

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Revenue And Expense Enterprise Fund For The Year Ended June 30, 2012

	Rialto Square Theatre	Rialto Office Complex
Operating Revenue		
Office And Commercial Rent	\$ -	\$ 229,593
Utility Reimbursement	-	7,875
Theatre Rent	84,970	-
Rotunda Rent	78,630	-
Hospitality Suite Rent	300	-
Theatre Rental Reimbursement	81,701	-
Rotunda Rental Reimbursement	4,557	-
Preservation Fees	124,968	-
Ticket Income	1,885,206	-
Bar Income	211,104	-
Commissions Income	67,532	-
Tour Income	3,465	-
Box Office Handling Fees	28,542	-
Participant Income	156,048	-
Show Program Advertising	15,300	-
Dinner Packages	11,517	-
Other Income	72,301	24,436
	<hr/>	<hr/>
Total Operating Revenue	2,826,141	261,904
	<hr/>	<hr/>
Operating Expense		
Salaries		
Administrative	306,038	25,061
Engineer	117,901	59,120
Maintenance	27,486	2,668
Office	181,176	10,477
Theatre House	125,918	-
Theatre Stage	193,423	-
	<hr/>	<hr/>
Total Salaries	951,942	97,326
	<hr/>	<hr/>

<u>Total Rialto Complex</u>	<u>Two Rialto Square</u>	<u>Total Enterprise Fund</u>
\$ 229,593	\$ 417,583	\$ 647,176
7,875	2,604	10,479
84,970	-	84,970
78,630	-	78,630
300	-	300
81,701	-	81,701
4,557	-	4,557
124,968	-	124,968
1,885,206	-	1,885,206
211,104	-	211,104
67,532	-	67,532
3,465	-	3,465
28,542	-	28,542
156,048	-	156,048
15,300	-	15,300
11,517	-	11,517
96,737	-	96,737
<u>3,088,045</u>	<u>420,187</u>	<u>3,508,232</u>
331,099	24,586	355,685
177,021	39,170	216,191
30,154	906	31,060
191,653	10,477	202,130
125,918	-	125,918
193,423	-	193,423
<u>1,049,268</u>	<u>75,139</u>	<u>1,124,407</u>

(Continued)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Revenue And Expense Enterprise Fund For The Year Ended June 30, 2012

	Rialto Square Theatre	Rialto Office Complex
Benefits		
State U/C Tax	\$ 27,172	\$ 1,824
Pension (Union)	6,359	3,570
Employer FICA	73,084	7,438
Health Insurance	93,973	14,428
Total Benefits	<u>200,588</u>	<u>27,260</u>
Professional Services		
Accounting And Legal	14,996	1,760
Other	8,800	4,507
Total Professional Services	<u>23,796</u>	<u>6,267</u>
Advertising And Promotion		
Public Relations	1,997	-
Marketing/Rental Property	3,364	58
Institutional Advertising	53,239	-
Show Program Expense	10,392	-
Event Marketing	212,895	-
In-Kind Advertising	29,234	-
Tour Expense	3,248	-
Total Advertising And Promotion	<u>314,369</u>	<u>58</u>
Administrative Expense		
Office Supply (Non Print)	15,921	1,832
Small Equipment	3,916	490
Equipment Rental	1,895	496
Postage And Freight	2,870	321
Travel	4,281	294
License And Permits	2,065	-
Computer Supplies	3,325	228
Other	2,621	-
Membership Fees	1,800	35
Total Administrative Expense	<u>38,694</u>	<u>3,696</u>

Total Rialto Complex	Two Rialto Square	Total Enterprise Fund
\$ 28,996	\$ 1,345	\$ 30,341
9,929	2,285	12,214
80,522	5,729	86,251
<u>108,401</u>	<u>10,194</u>	<u>118,595</u>
 227,848	 19,553	 247,401
 16,756	 6,144	 22,900
<u>13,307</u>	<u>1,100</u>	<u>14,407</u>
 30,063	 7,244	 37,307
 1,997	 -	 1,997
3,422	16	3,438
53,239	-	53,239
10,392	-	10,392
212,895	-	212,895
29,234	-	29,234
<u>3,248</u>	<u>-</u>	<u>3,248</u>
 314,427	 16	 314,443
 17,753	 1,576	 19,329
4,406	490	4,896
2,391	38	2,429
3,191	327	3,518
4,575	252	4,827
2,065	-	2,065
3,553	228	3,781
2,621	84	2,705
<u>1,835</u>	<u>35</u>	<u>1,870</u>
 42,390	 3,030	 45,420

(Continued)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Revenue And Expense Enterprise Fund For The Year Ended June 30, 2012

	Rialto Square Theatre	Rialto Office Complex
Insurance		
Insurance	\$ 76,669	\$ 52,400
Total Insurance	<u>76,669</u>	<u>52,400</u>
Real Estate Expense		
Real Estate Taxes	-	-
Total Real Estate Expense	<u>-</u>	<u>-</u>
Custodial And Maintenance		
Custodial Supplies	5,987	2,246
General Maintenance/Repairs	37,931	74,588
Cleaning Service	14,528	21,419
Total Custodial And Maintenance	<u>58,446</u>	<u>98,253</u>
Utilities		
Electricity	16,509	61,333
Water	1,549	3,063
Gas	7,683	14,269
Telephone	18,978	4,087
Total Utilities	<u>44,719</u>	<u>82,752</u>
Artists Fees		
Regular Artist Fees	506,472	-
Opening Acts Artist Fees	500	-
Contracted Musicians	8,787	-
Total Artists Fees	<u>515,759</u>	<u>-</u>

Total Rialto Complex	Two Rialto Square	Total Enterprise Fund
\$ 129,069	\$ 41,030	\$ 170,099
129,069	41,030	170,099
-	962	962
-	962	962
8,233	2,417	10,650
112,519	36,124	148,643
35,947	43,391	79,338
156,699	81,932	238,631
77,842	107,415	185,257
4,612	3,208	7,820
21,952	-	21,952
23,065	4,236	27,301
127,471	114,859	242,330
506,472	-	506,472
500	-	500
8,787	-	8,787
515,759	-	515,759

(Continued)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Revenue And Expense Enterprise Fund For The Year Ended June 30, 2012

	Rialto Square Theatre	Rialto Office Complex
House Expense		
Liquor And Beer	\$ 44,896	\$ -
Beverage	5,485	-
Bar Supplies	8,251	-
Bar/Souvenir Salaries	6,135	-
Sales Tax	25,853	-
Ticketing Expense	68,557	-
Credit Card Charges	44,762	-
Security	13,062	-
Reimbursement/Rental Expense	10,867	-
Souvenir Expense	30,845	-
Dinner Package Expense	13,510	-
Volunteer Program Expense	5,823	-
Hospitality Suite Expense	10,448	-
Miscellaneous	1,145	-
	<hr/>	<hr/>
Total House Expense	289,639	-
	<hr/>	<hr/>
Production Expense		
Royalties	4,898	-
Transportation Artist	14,484	-
Accommodations Artist	13,709	-
Food Artist	15,237	-
Film Rental	1,060	-
Supplies	5,560	-
Musical Instrument Rental	5,291	-
Production Equipment Rental	53,801	-
Rotunda Equipment Purchase	2,919	-
Production Equipment Purchase	23,871	-
Theatre Rental Reimbursement Expense	10,138	-
Production Expense Other	790,674	-
	<hr/>	<hr/>
Total Production Expense	941,642	-
	<hr/>	<hr/>

Total Rialto Complex	Two Rialto Square	Total Enterprise Fund
\$ 44,896	\$ -	\$ 44,896
5,485	-	5,485
8,251	-	8,251
6,135	-	6,135
25,853	-	25,853
68,557	-	68,557
44,762	-	44,762
13,062	-	13,062
10,867	-	10,867
30,845	-	30,845
13,510	-	13,510
5,823	-	5,823
10,448	-	10,448
1,145	-	1,145
<u>289,639</u>	<u>-</u>	<u>289,639</u>
4,898	-	4,898
14,484	-	14,484
13,709	-	13,709
15,237	-	15,237
1,060	-	1,060
5,560	-	5,560
5,291	-	5,291
53,801	-	53,801
2,919	-	2,919
23,871	-	23,871
10,138	-	10,138
<u>790,674</u>	<u>-</u>	<u>790,674</u>
<u>941,642</u>	<u>-</u>	<u>941,642</u>

(Continued)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Revenue And Expense Enterprise Fund For The Year Ended June 30, 2012

	<u>Rialto Square Theatre</u>	<u>Rialto Office Complex</u>
Total Operating Expense Before Depreciation	\$ 3,456,263	\$ 368,012
Operating Income (Loss) Before Depreciation	(630,122)	(106,108)
Depreciation	158,932	212,043
Operating (Loss)	(789,054)	(318,151)
Non-Operating Revenue (Expense)		
Interest Income	90	67
Interest Expense	(2,656)	(137,128)
Support From City Of Joliet	-	677,436
In-Kind Contributions	54,072	-
Total Non-Operating Revenue (Expense)	51,506	540,375
Net Income (Loss) Before Transfers	(737,548)	222,224
Transfers		
Transfers In	130,040	-
Change In Net Assets	(\$ 607,508)	\$ 222,224

<u>Total Rialto Complex</u>	<u>Two Rialto Square</u>	<u>Total Enterprise Fund</u>
\$ 3,824,275	\$ 343,765	\$ 4,168,040
(736,230)	76,422	(659,808)
<u>370,975</u>	<u>87,531</u>	<u>458,506</u>
(1,107,205)	(11,109)	(1,118,314)
157	-	157
(139,784)	(220)	(140,004)
677,436	-	677,436
<u>54,072</u>	<u>-</u>	<u>54,072</u>
<u>591,881</u>	(220)	<u>591,661</u>
(515,324)	(11,329)	(526,653)
<u>130,040</u>	<u>-</u>	<u>130,040</u>
(\$ 385,284)	(\$ 11,329)	(\$ 396,613)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Insurance Data (Unaudited) June 30, 2012

Below is a schedule of the Authority's insurance in effect at June 30, 2012.

<u>Insurance</u>	<u>Carrier</u>	<u>Expiration Date</u>
Property	Cincinnati Insurance Company	4/2/2013
\$61,765,175	Property Coverage - Rialto Building, Terminal Building, Joliet Building Annex Building	
\$425,800	Business Personal Property	
\$150,000	Personal Property Of Others	
\$3,000,000	Business Income	
\$100,000	Fidelity Bond	
\$10,000	Theft, Premises, Messenger And Safe	
Liability	Cincinnati Insurance Company	4/2/2013
\$1,000,000	Liability Coverage	
Comprehensive Umbrella Liability	Cincinnati Insurance Company	4/2/2013
\$10,000,000		
Workmen's Compensation And Employer's Liability	Midwest Insurance Company	10/16/2012
\$100,000	Bodily Injury By Accident Each Accident	
\$100,000	Bodily Injury By Disease Each Employee	
\$500,000	Bodily Injury By Disease Policy Limit	
Liquor Liability	Illinois Casualty Company	4/2/2013
\$1,000,000	Bodily Injury, Means Of Support And Property Damage Combined	

(Continued)

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Insurance Data
(Unaudited)
June 30, 2012

<u>Insurance</u>	<u>Carrier</u>	<u>Expiration Date</u>
Operating Engineers Health Benefits	IUOE Local 399	Monthly
\$1,000,000	Personal And Advertising Injury Liability	
\$1,000,000	Non-owned And Hired Auto Liability	
\$500,000	Fire And Water Damage	
\$5,000	Each Personal Medical Limit	
\$10,000	Each Occurrence Medical Payment Limit	
<u>Building</u>	<u>Number Of Tenants</u>	
Two Rialto Square	13	
Rialto Office Complex	5	

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Schedule Of Organization Data
June 30, 2012

Board Of Directors

Chairman	James V. Smith
Vice Chairman	Robert A. Rogina
Secretary	LeeAnn Goodson
Treasurer – Appointed – Ex Officio	Randall L. Green
Director	Mary Babich
Director	David R. Hacker
Director	David Thornton



WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

755 ESSINGTON ROAD, JOLIET, ILLINOIS 60435 • 815/730-6250 • FAX 815/730-6257 • WWW.WRDR.COM

October 24, 2012

To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Communication With Those Charged With Governance During Planning

We are engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of Will County Metropolitan Exposition and Auditorium Authority (WCMEAA) for the year ended June 30, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 23, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope And Timing Of The Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

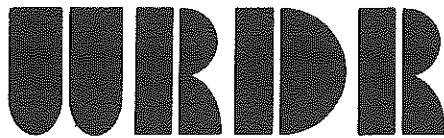
Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately October 24, 2012 and issue our report on approximately December 31, 2012.

This information is intended solely for the use of the Board of Directors and management of WCMEAA and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Wermar, Rogers, Doran + Ruzon, LLC



WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

755 ESSINGTON ROAD, JOLIET, ILLINOIS 60435 • 815/730-6250 • FAX 815/730-6257 • WWW.WRDR.COM

February 11, 2103

To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Communication With Those Charged With Governance At Or Near The Conclusion Of The Audit

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Will County Metropolitan Exposition and Auditorium Authority (WCMEAA or Authority) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 24, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects Of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by WCMEAA are described in Note 1 to the financial statements. Governmental Accounting Standards (GASB Statement) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, became effective in 2012. No other new policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

Management's estimate of depreciation is based on their assessment of the useful lives of the various capital assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of going concern and grants in Notes 8 and 9 to the financial statements; during the current year, the City of Joliet has experienced significant budget reductions. Because the City of Joliet provides a considerable amount of financial support to WCMEAA annually, any substantial reduction in the current level of funding, may affect WCMEAA's ability to continue as a going concern.

The disclosure of long term debt in Note 13 to the financial statements details outstanding amounts, terms, and lenders.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected And Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have attached a list of adjustments at the end of this letter which were corrected by management. Many of the adjustments relate to reclassifications for financial reporting purposes.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 11, 2013.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings Or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

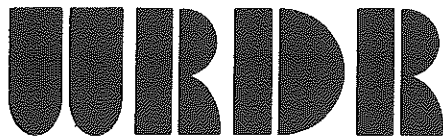
This information is intended solely for the use of the Board of Directors and management of WCMEAA and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Wernier, Rogers, Doran + Ruggins, LLC

Adjusting Journal Entries
Fund 3 - Enterprise
WCMEAA/RSTC
June 30, 2012

AJE No.	Account Description	W/P Ref	Account Number	Lead	Sublead	Debits	Credits
4	DS FUND BALANCE		3-4-29000	5700			177.31
4	RETAINED EARNINGS		3-1-29800	5700		177.31	
To adjust beginning equity to balance funds							
Totals						177.31	177.31



WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Communication Of A Material Weakness

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Will County Metropolitan Exposition and Auditorium Authority (Authority) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the following deficiency in the Authority's internal control to be a material weakness:

Preparation Of Financial Statements

The Board of Directors and management share the ultimate responsibility for the Authority's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The Authority engages Wermer, Rogers, Doran & Ruzon, LLC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Wermer, Rogers, Doran & Ruzon, LLC cannot be considered part of the Authority's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the Authority should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles including Governmental Accounting Standards Board Statements, and knowledge of the Authority's activities and operations. Currently, the Authority's personnel do not have sufficient financial reporting and accounting knowledge to perform a review of the Authority's financial statements and related disclosures to provide a high level of assurance that any potential material omissions or errors would be identified and corrected.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Wermer, Rogers, Doran & Ruzon, LLC

February 11, 2013



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To the Board of Directors
Will County Metropolitan Exposition
and Auditorium Authority
Joliet, Illinois

Management Letter

In planning and performing our audit of the basic financial statements of the Will County Metropolitan Exposition And Auditorium Authority (Authority) for the year ended June 30, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency which are summarized below. This letter does not affect our report dated February 11, 2013, on the financial statements of the Authority.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Monthly Cash Reconciliations

Finding: Currently, monthly cash reconciliations prepared by the Authority's Finance Manager are not being reviewed.

Recommendation: We recommend review of monthly cash reconciliations by a designated board member, including documentation of review.

Adjusting Journal Entries

Finding: Due to the limited accounting staff, the Finance Manager performs various overlapping duties. In addition, he is authorized to prepare and post all adjusting journal entries to the general ledger.

Recommendation: We recommend that a designated board member review monthly adjusting journal entries posted to the general ledger by the Finance Manager. This process should be documented as well.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

Wesman, Rogers, Doran + Rogers, LLC

February 11, 2013

