

JUN 17 2014

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

**COMPONENT UNIT  
BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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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 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and the related GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2013. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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 historical 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenue and expense – enterprise fund is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue and expense – enterprise fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of insurance data and schedule of organizational data 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.

*Wormes, Rogers, Doran & Arzon, L.L.C.*

May 19, 2014

# **WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY**

## **Management's Discussion and Analysis For the Year Ended June 30, 2013**

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, 2013. Please read it in conjunction with the Authority's financial statements, which begin on page 10.

### **FINANCIAL HIGHLIGHTS**

The Authority's net position decreased by \$18 thousand, or 0.4 percent, as a result of this year's operations. Net position of our governmental activities increased by \$243 thousand, or 22 percent while net position of our business-type activities decreased by \$261 thousand, or 8 percent.

During the year, the Authority's governmental activities had revenues of \$552 thousand as compared to revenues of \$277 thousand in the prior year. This represented an increase in revenues of \$275 thousand or 100 percent. The Authority's governmental activities had expenditures of \$112 thousand for the current year as compared to expenditures of \$39 thousand for the prior year.

In the Authority's business-type activities, revenues decreased from \$4.2 million to \$3.9 million or 9 percent while expenses decreased from \$4.8 million to \$4.3 million or 9 percent.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position (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 Position 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 Position 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 position and changes in them. You can think of the Authority's net position (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 position 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, 2013**

In the Statement of Net Position 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 Position 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 Position 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 position decreased by about 0.4 percent -- from \$4.52 million to \$4.50 million. Governmental activities increased while business-type activities decreased. Business-type activities decreased by about 8 percent while the governmental activities increased by about 22 percent. The decreases in business type activity can be attributed to the continued operating losses and financing costs in excess of support from the City of Joliet and transfers in from the governmental funds. The increase in governmental-type activities is mostly attributable to the endowment donations received. Our analysis below focuses on the net position (Table 1) and changes in net position (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, 2013

Table 1 - Condensed Statement of Net Position, June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other						
Assets	\$ 1,545,040	\$ 1,299,169	\$ 276,731	\$ 248,789	\$ 1,821,771	\$ 1,547,958
Capital Assets (Net)	-	-	6,430,077	6,797,295	6,430,077	6,797,295
Total Assets	<u>1,545,040</u>	<u>1,299,169</u>	<u>6,706,808</u>	<u>7,046,084</u>	<u>8,251,848</u>	<u>8,345,253</u>
Long-Term Liabilities	-	-	2,610,587	2,639,461	2,610,587	2,639,461
Other Liabilities	<u>203,538</u>	<u>200,634</u>	<u>939,448</u>	<u>988,503</u>	<u>1,142,986</u>	<u>1,189,137</u>
Total Liabilities	<u>203,538</u>	<u>200,634</u>	<u>3,550,035</u>	<u>3,627,964</u>	<u>3,753,573</u>	<u>3,828,598</u>
Net Position						
Net Investment in						
Capital Assets	-	-	3,819,490	4,157,834	3,819,490	4,157,834
Restricted for						
Endowments	926,933	681,843	-	-	926,933	681,843
Restricted for Capital						
Improvements	9,175	47,013	-	-	9,175	47,013
Unrestricted	<u>405,394</u>	<u>369,679</u>	<u>( 662,717)</u>	<u>( 739,714)</u>	<u>( 257,323)</u>	<u>( 370,035)</u>
Total Net Position	<u>\$ 1,341,502</u>	<u>\$ 1,098,535</u>	<u>\$ 3,156,773</u>	<u>\$ 3,418,120</u>	<u>\$ 4,498,275</u>	<u>\$ 4,516,655</u>

The net position of the Authority's governmental activities increased by \$243 thousand. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased by \$36 thousand. This increase is mainly attributable to an increase in operating grants and contributions.

The net position of the Authority's business-type activities decreased by 8 percent (\$3.2 million compared to \$3.4 million). Although the unrestricted net position remains in a deficit position, the deficit was reduced by \$77 thousand. The Authority generally can use the unrestricted portion of net position (if any) 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, 2013

Table 2 Condensed Statement of Changes in Net Position, Year Ended June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 3,247,183	\$ 3,508,232	\$ 3,247,183	\$ 3,508,232
Operating Grants and Contributions	471,542	253,443	630,218	731,508	1,101,760	984,951
Capital Grants and Contributions	929	1,455	-	-	929	1,455
General Revenues:						
Interest and Investment Earnings	71,871	14,041	180	157	72,051	14,198
Total Revenues	<u>544,342</u>	<u>268,939</u>	<u>3,877,581</u>	<u>4,239,897</u>	<u>4,421,923</u>	<u>4,508,836</u>
<b>Program Expenses</b>						
General Administration	35,097	30,205	-	-	35,097	30,205
Development and Sustaining	10,048	8,610	-	-	10,048	8,610
Fundraising	61,757	-	-	-	61,757	-
Capital Campaign and Endowment	5,372	683	-	-	5,372	683
Rialto Square Theatre	-	-	3,286,110	3,617,851	3,286,110	3,617,851
Rialto Office Complex	-	-	652,509	717,183	652,509	717,183
Two Rialto Square	-	-	397,096	431,516	397,096	431,516
Total Expenses	<u>112,274</u>	<u>39,498</u>	<u>4,335,715</u>	<u>4,766,550</u>	<u>4,447,989</u>	<u>4,806,048</u>
Excess Revenues Over (Under)						
Expenses Before Contributions to Permanent Funds and Transfers	432,068	229,441	( 458,134)	( 526,653)	( 26,066)	( 297,212)
Contributions to Permanent Funds	7,686	7,902	-	-	7,686	7,902
Transfers	( 196,787)	( 130,040)	196,787	130,040	-	-
Change in Net Position	<u>242,967</u>	<u>107,303</u>	<u>( 261,347)</u>	<u>( 396,613)</u>	<u>( 18,380)</u>	<u>( 289,310)</u>
Net Position Beginning	<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>
Net Position Ending	<u>\$ 1,341,502</u>	<u>\$ 1,098,535</u>	<u>\$ 3,156,773</u>	<u>\$ 3,418,120</u>	<u>\$ 4,498,275</u>	<u>\$ 4,516,655</u>

The Authority's total revenues decreased by \$87 thousand or 2 percent. The total costs of all programs and services decreased by \$358 thousand or 7 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, 2013

### Governmental Activities

Revenues for the Authority's governmental activities increased by \$275 thousand or 102 percent while total expenditures increased by \$73 thousand or 184 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	
	2013	2012	2013	2012
General Administrative	\$ 35,097	\$ 30,205	(\$ 427,769)	(\$ 218,028)
Development and Sustaining	10,048	8,610	10,048	8,610
Capital Campaign and Endowment	5,372	683	( 4,233)	( 5,982)
Fundraising	61,757	-	61,757	-
Totals	<u>\$ 112,274</u>	<u>\$ 39,498</u>	<u>(\$ 360,197)</u>	<u>(\$ 215,400)</u>

### Business-Type Activities

Revenues of the Authority's business-type activities (see Table 2) decreased by \$362 thousand or 9 percent while expenses decreased by \$431 thousand or 9 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 decreased by \$281 thousand or 9 percent, while operating costs decreased by \$332 thousand or 9 percent. The revenue decrease is mostly attributable to ticket income which decreased from \$1.9 million to \$1.7 million. The expense decrease is mostly attributable to artist fees which decreased from \$516 thousand to \$333 thousand and production expense which decreased from \$942 thousand to \$862 thousand.

Operating revenue from the Rialto Office Complex increased by \$20 thousand or 8 percent while expenses decreased by \$65 thousand or 9 percent. The increase in revenue is mainly due to increases in office and commercial rent while the expense decrease is mostly attributable to decreases in custodial and maintenance costs.

Operating revenue from Two Rialto Square decreased by only \$547 while expenses decreased by \$34 thousand or 8 percent.

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Management's Discussion and Analysis For the Year Ended June 30, 2013

### 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 \$1.3 million, which is above last year's total of \$1.1 million. The Authority's governmental funds experienced an increase of \$38 thousand in their cash and investments.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the Authority had \$6.4 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>	
	2013	2012	2013	2012	2013	2012
Land	\$ -	\$ -	\$ 580,737	\$ 580,737	\$ 580,737	\$ 580,737
Buildings	-	-	989,114	1,057,319	989,114	1,057,319
Building Improvements	-	-	4,339,979	4,629,618	4,339,979	4,629,618
Furniture and Equipment	-	-	442,959	474,684	442,959	474,684
Construction in Progress	-	-	77,288	54,937	77,288	54,937
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,430,077</u>	<u>\$ 6,797,295</u>	<u>\$ 6,430,077</u>	<u>\$ 6,797,295</u>

This year's major additions included the following:

Terra Cotta Repair Project	\$ 36,179
Masonry Repair Project	17,000
Phone Equipment	11,428

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

#### Debt Administration

At June 30, 2013, the Authority had \$2,600,070 in debt outstanding. Outstanding debt at year end was as follows:

Promissory Note, Dated December 28, 2011	\$ 2,589,192
Promissory Note, Dated November 1, 2012	<u>10,878</u>
	<u>\$ 2,600,070</u>

## **WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY**

### **Management's Discussion and Analysis For the Year Ended June 30, 2013**

The promissory note, dated December 28, 2011, was established for the University of Saint Francis build-out as well as the Lambrecht hospitality suite renovations. The promissory note, dated November 1, 2012, was established for tenant build-outs. 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, 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.

## **BASIC FINANCIAL STATEMENTS**

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Statement of Net Position June 30, 2013

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 370,668	\$ 204,730	\$ 575,398
Investments	27,242	-	27,242
Accounts Receivable	64,612	19,208	83,820
Pledges Receivable - Current	32,350	-	32,350
Accrued Interest Receivable	11	-	11
Prepaid Expenses	-	192,642	192,642
Grant Advance	9,456	-	9,456
Internal Balances	171,420	( 171,420)	-
Inventory	11,615	31,571	43,186
	<u>687,374</u>	<u>276,731</u>	<u>964,105</u>
Total Current Assets			
<b>Noncurrent Assets</b>			
Restricted Assets			
Cash	61,450	-	61,450
Investments	727,017	-	727,017
Pledges Receivable - Non Current	69,199	-	69,199
Capital Assets (Net)			
Land	-	580,737	580,737
Buildings	-	989,114	989,114
Building Improvements	-	4,339,979	4,339,979
Furniture and Equipment	-	442,959	442,959
Construction in Progress	-	77,288	77,288
	<u>857,666</u>	<u>6,430,077</u>	<u>7,287,743</u>
Total Noncurrent Assets			
Total Assets	<u>\$ 1,545,040</u>	<u>\$ 6,706,808</u>	<u>\$ 8,251,848</u>

See Accompanying Notes to Basic Financial Statements.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ -	\$ 299,771	\$ 299,771
Accrued Payroll and Benefits	-	79,207	79,207
Long-Term Obligations, Due Within One Year			
Notes Payable	-	63,696	63,696
Capital Lease Payable		1,774	1,774
Due to Bondholders	62,713	-	62,713
Unearned Revenue	98	447,245	447,343
Due to Volunteers	140,727	-	140,727
Other	-	113,225	113,225
Total Current Liabilities	<u>203,538</u>	<u>1,004,918</u>	<u>1,208,456</u>
<b>Noncurrent Liabilities</b>			
Long-Term Obligations, Due in More Than One Year			
Notes Payable	-	2,536,374	2,536,374
Capital Lease Payable	-	8,743	8,743
Total Noncurrent Liabilities	<u>-</u>	<u>2,545,117</u>	<u>2,545,117</u>
Total Liabilities	<u>203,538</u>	<u>3,550,035</u>	<u>3,753,573</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	3,819,490	3,819,490
Restricted for Endowments	926,933	-	926,933
Restricted for Capital Improvements	9,175	-	9,175
Unrestricted	405,394	(662,717)	(257,323)
Total Net Position	<u>1,341,502</u>	<u>3,156,773</u>	<u>4,498,275</u>
Total Liabilities and Net Position	<u>\$ 1,545,040</u>	<u>\$ 6,706,808</u>	<u>\$ 8,251,848</u>

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Statement of Activities For the Year Ended June 30, 2013

Functions / Programs	<u>Expenses</u>	<u>Program Charges for Services</u>
Governmental Activities:		
General Administration	\$ 35,097	\$ -
Development and Sustaining	10,048	-
Capital Campaign and Endowment	5,372	-
Fundraising	61,757	-
	<hr/>	<hr/>
Total Governmental Activities	112,274	-
	<hr/>	<hr/>
Business-Type Activities:		
Rialto Square Theatre	3,286,110	2,545,370
Rialto Office Complex	652,509	282,173
Two Rialto Square	397,096	419,640
	<hr/>	<hr/>
Total Business-Type Activities	4,335,715	3,247,183
	<hr/>	<hr/>
Total	\$ 4,447,989	\$ 3,247,183
	<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
\$ 462,866	\$ -	\$ 427,769	\$ -	\$ 427,769
-	-	( 10,048)	-	( 10,048)
8,676	929	4,233	-	4,233
-	-	( 61,757)	-	( 61,757)
<u>471,542</u>	<u>929</u>	<u>360,197</u>	<u>-</u>	<u>360,197</u>
30,218	-	-	( 710,522)	( 710,522)
600,000	-	-	229,664	229,664
-	-	-	22,544	22,544
<u>630,218</u>	<u>-</u>	<u>-</u>	<u>( 458,314)</u>	<u>( 458,314)</u>
<u>\$ 1,101,760</u>	<u>\$ 929</u>	<u>360,197</u>	<u>( 458,314)</u>	<u>( 98,117)</u>
General Revenues:				
Interest and Investment Earnings		71,871	180	72,051
Contributions to Permanent Funds		7,686	-	7,686
Transfers		( 196,787)	196,787	-
Total General Revenues and Transfers		( 117,230)	196,967	79,737
Change in Net Position		<u>242,967</u>	<u>( 261,347)</u>	<u>( 18,380)</u>
Net Position - Beginning		<u>1,098,535</u>	<u>3,418,120</u>	<u>4,516,655</u>
Net Position - Ending		<u>\$ 1,341,502</u>	<u>\$ 3,156,773</u>	<u>\$ 4,498,275</u>

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Governmental Funds Balance Sheet June 30, 2013

	<u>General Fund</u>	<u>Endowment Fund</u>
<b>ASSETS</b>		
Cash	\$ 175,152	\$ 256,966
Investments	4,427	749,832
Accounts Receivable	64,612	-
Pledges Receivable	19,175	82,374
Accrued Interest Receivable	1	10
Grant Advance	9,456	-
Internal Receivables	370,574	78,404
Inventory	11,615	-
	<hr/>	<hr/>
Total Assets	\$ 655,012	\$ 1,167,586
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Due to Bondholders	\$ 62,713	\$ -
Unearned Revenue	-	98
Internal Payables	52,078	225,480
Due to Volunteers	140,727	-
	<hr/>	<hr/>
Total Liabilities	255,518	225,578
	<hr/>	<hr/>
<b>FUND BALANCES</b>		
Nonspendable:		
Endowments	-	926,933
Restricted for:		
Capital Projects	9,175	-
Assigned to:		
General Fund for Future Operations	201,417	-
Budgetary Deficits	-	7,048
Unassigned	188,902	8,027
	<hr/>	<hr/>
Total Fund Balance	399,494	942,008
	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 655,012	\$ 1,167,586
	<hr/>	<hr/>

See Accompanying Notes to Basic Financial Statements.

Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Position  
June 30, 2013

**Total  
Governmental  
Funds**

\$ 432,118  
754,259  
64,612  
101,549  
11  
9,456  
448,978  
11,615

\$ 1,822,598

\$ 62,713  
98  
277,558  
140,727

481,096

926,933  
9,175  
201,417  
7,048  
196,929

1,341,502

\$ 1,822,598

Total Fund Balance - Governmental Funds

\$ 1,341,502

*Amounts reported for governmental activities in the  
Statement of Net Position are currently the same as  
amounts reported in this statement.*

-

Net Position of Governmental Activities

\$ 1,341,502

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Endowment Fund</u>
<b>Revenue</b>		
Fundraising	\$ 145,416	\$ 5,893
Sustaining Fund	69,175	-
Donations	15,837	-
Endowment Donations	-	231,512
Improvement Donations	929	-
Souvenir Sales	-	3,658
Preservation Dues	-	7,686
Miscellaneous	-	51
Dividends	5,992	4,054
Other Investment Income	4,963	13,111
Interest	81	97
Unrealized Gain on Investments	9,626	33,947
	<hr/>	<hr/>
Total Revenue	252,019	300,009
<b>Expenditures</b>		
Fundraising	61,621	136
Capital Campaign Expenditures	80	-
Professional Fees	5,800	-
Office Supplies	4,124	-
Development Expenditures	230	-
Sustaining Fund Expenditures	9,818	-
Printing	-	3,538
Souvenir Expenditures	-	1,190
Sales Tax	-	321
Miscellaneous	15,554	243
Trust Fees	1,738	7,881
	<hr/>	<hr/>
Total Expenditures	98,965	13,309
	<hr/>	<hr/>
Excess of Revenue Over Expenditures	153,054	286,700
<b>Other Financing Sources (Uses)</b>		
Transfers In	-	3,750
Transfers Out	( 157,311)	( 43,226)
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	( 157,311)	( 39,476)
	<hr/>	<hr/>
Net Change in Fund Balances	( 4,257)	247,224
<b>Fund Balances, Beginning of Year</b>	403,751	694,784
	<hr/>	<hr/>
<b>Fund Balances, End of Year</b>	\$ 399,494	\$ 942,008
	<hr/>	<hr/>

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, 2013

Total Governmental Funds			
\$ 151,309	Net Change in Fund Balance - Governmental Funds	\$	242,967
69,175			
15,837	<i>Amounts reported for governmental activities in the</i>		
231,512	<i>Statement of Activities are currently the same as</i>		
929	<i>amounts reported in this statement.</i>		
3,658			
7,686	Change in Net Position of Governmental Funds	\$	242,967
51			
10,046			
18,074			
178			
43,573			
552,028			
61,757			
80			
5,800			
4,124			
230			
9,818			
3,538			
1,190			
321			
15,797			
9,619			
112,274			
439,754			
3,750			
( 200,537)			
( 196,787)			
242,967			
1,098,535			
\$ 1,341,502			

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Statement of Net Position Proprietary Fund June 30, 2013

	<u>Business-Type Activities Enterprise Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 204,730
Trade Receivables	19,208
Prepaid Expenses	192,642
Internal Receivables	265,389
Inventory	<u>31,571</u>
Total Current Assets	<u>713,540</u>
<b>Noncurrent Assets</b>	
Capital Assets	
Land	580,737
Buildings	13,791,221
Building Improvements	6,720,107
Furniture and Equipment	962,985
Construction in Progress	<u>77,288</u>
	22,132,338
Less Accumulated Depreciation	<u>15,702,261</u>
Total Capital Assets	<u>6,430,077</u>
Total Noncurrent Assets	<u>6,430,077</u>
Total Assets	<u>\$ 7,143,617</u>

See Accompanying Notes to Basic Financial Statements.

	<b>Business-Type Activities Enterprise Fund</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Expenses	\$ 299,771
Accrued Payroll and Benefits	79,207
Long-Term Obligations, Due Within One Year	
Notes Payable	63,696
Capital Lease Payable	1,774
Unearned Revenue	447,245
Internal Payables	436,809
Other	113,225
	<hr/>
Total Current Liabilities	1,441,727
	<hr/>
<b>Noncurrent Liabilities</b>	
Long-Term Obligations, Due in More Than One Year	
Notes Payable	2,536,374
Capital Lease Payable	8,743
	<hr/>
Total Noncurrent Liabilities	2,545,117
	<hr/>
Total Liabilities	3,986,844
	<hr/>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,819,490
Unrestricted	( 662,717)
	<hr/>
Total Net Position	3,156,773
	<hr/>
Total Liabilities and Net Position	\$ 7,143,617
	<hr/>

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# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Statement of Revenue, Expense, and Changes in Net Position Proprietary Fund For the Year Ended June 30, 2013

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
<b>Operating Revenue</b>	
Rentals and Reimbursements - Office and Commercial	\$ 678,777
Theatre Related Revenue	2,539,453
Other	28,953
Total Operating Revenue	<u>3,247,183</u>
<b>Operating Expense</b>	
Salaries	1,118,256
Benefits	262,012
Professional Services	26,072
Advertising and Promotion	288,362
Administrative	37,947
Insurance	168,201
Real Estate Expense	1,072
Custodial and Maintenance	180,700
Utilities	241,742
Artist Fees	332,707
House Expense	254,914
Production Expense	861,729
Depreciation	417,996
Total Operating Expense	<u>4,191,710</u>
Operating (Loss)	( 944,527)
<b>Nonoperating Revenue (Expense)</b>	
Bad Debt Expense	( 11,149)
Interest Income	180
Interest Expense	( 132,856)
Support from City of Joliet	600,000
In-Kind Contributions	30,218
Total Nonoperating Revenue (Expense)	<u>486,393</u>
Net (Loss) Before Transfers	( 458,134)
<b>Transfers</b>	
Transfers In	<u>196,787</u>
Change in Net Position	( 261,347)
<b>Total Net Position, Beginning of Year</b>	<u>3,418,120</u>
<b>Total Net Position, End of Year</b>	<u>\$ 3,156,773</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, 2013

	<b>Business-Type Activities Enterprise Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers and Donors	\$ 3,205,576
Cash Paid to Suppliers for Goods and Services	( 2,403,220)
Cash Payments for Employees Services	( 1,373,103)
Net Cash (Used in) Operating Activities	( 570,747)
<b>Cash Flows from Investing Activities</b>	
Interest Received on Investments	180
Net Cash Provided by Investing Activities	180
<b>Cash Flows from Noncapital Financing Activities</b>	
Support from the City of Joliet	600,000
Payments from Other Funds	255,754
Net Cash Provided by Noncapital Financing Activities	855,754
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of Capital Assets	( 54,154)
Proceeds from Long-Term Debt	33,806
Payments of Long-Term Debt	( 74,108)
Payments of Interest	( 132,856)
Net Cash (Used in) Capital and Related Financing Activities	( 227,312)
Net Decrease in Cash	57,875
<b>Cash and Cash Equivalents, Beginning of Year</b>	146,855
<b>Cash and Cash Equivalents, End of Year</b>	\$ 204,730

See Accompanying Notes to Basic Financial Statements.

	Business-Type Activities
	Enterprise Fund
<b>Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities</b>	
Operating (Loss)	(\$ 944,527)
Adjustments to Reconcile Operating (Loss) to Net	
Cash (Used in) Operating Activities	
Bad Debt	( 11,149)
Depreciation	417,996
In-Kind Contributions	30,218
Prior Year Construction in Process Expensed	14,804
Changes in Assets and Liabilities	
Trade Receivables	27,606
Prepaid Expenses	( 54,656)
Inventory	( 1,984)
Accounts Payable and Accrued Expenses	( 11,734)
Accrued Payroll and Benefits	7,165
Deferred Revenue	( 58,564)
Other Payables	14,078
Total Adjustments	373,780
Net Cash (Used in) Operating Activities	(\$ 570,747)

**Noncash Investing and Financing Activities**

Equipment Purchased Through Capital Lease	11,428
Donated Equipment	500
	<u>11,928</u>

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements  
June 30, 2013

## 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 Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and the related GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2013. Adoption of the provisions of these statements resulted in changes to the classifications of the components of the financial statements and changes in terminology.

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, 2013, 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, level of service; and financial accountability.

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements  
June 30, 2013

## 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 Position 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, 2013

## 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 Position 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, 2013

### 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 position (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 position.

#### *Basis of Accounting*

#### Government-Wide Financial Statements

In the government-wide Statement of Net Position 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 position is reported as restricted when constraints placed on net position 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, 2013

## 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 Position 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 reasonably estimate the amount. Available means collectible 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, 2013

### 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 specifically 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's Statement of Net Position. 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.

#### *Unearned Revenue*

Unearned revenue at June 30, 2013 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, 2013

## 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, 2013

### 2. Cash and Investments

#### *Deposits*

At June 30, 2013, the carrying amount of the Authority's deposits was \$628,348 and the bank balance was \$602,603. Additionally, the Authority maintained cash on hand of \$8,500.

**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, 2013, 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, 2013, the Authority held investments in three mutual funds (two 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, 2013

## 2. Cash and Investments

### *Investments*

Investments are carried at fair value. Unrealized gains were \$43,573. All investments are expected to be held until maturity.

	Fair Value	% of Total Investments
U.S. Treasury Money Market Fund	\$ 8,136	1.08%
First Midwest Fixed Income Common Fund	394,136	52.25%
First Midwest Equity Common Fund	<u>351,987</u>	<u>46.67%</u>
Total Investments	<u>\$ 754,259</u>	<u>100.00%</u>

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

	Deposits	Investments	Total
<u>Reported as Cash:</u>			
Savings and Demand			
Deposit Accounts	\$ 566,827	\$ -	\$ 566,827
Certificates of Deposit	45,721	-	45,721
Money Market Funds	15,800	-	15,800
Cash on Hand	8,500	-	8,500
Total Reported as Cash	<u>636,848</u>	<u>-</u>	<u>636,848</u>
<u>Reported as Investments:</u>			
U.S. Treasury Money Market	-	8,136	8,136
Mutual Funds	-	746,123	746,123
Total Reported as Investments	<u>-</u>	<u>754,259</u>	<u>754,259</u>
Total Cash and Investments	<u>\$ 636,848</u>	<u>\$ 754,259</u>	<u>\$ 1,391,107</u>

### Reconciliation of Cash and Investments:

Statement of Net Position Cash - Page 10	\$ 575,398
Statement of Net Position Cash - Restricted - Page 10	61,450
Statement of Net Position Investments - Page 10	27,242
Statement of Net Position Investments - Restricted - Page 10	<u>727,017</u>
	<u>\$ 1,391,107</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, 2013

## 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 \$36,977 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, 2013 was as follows:

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
<b>Business-Type Activities</b>				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 580,737	\$ -	\$ -	\$ 580,737
Construction in Progress	54,937	37,155	14,804	77,288
Subtotal	635,674	37,155	14,804	658,025
<i>Capital Assets Being Depreciated:</i>				
Buildings	13,791,221	-	-	13,791,221
Building Improvements	6,703,107	17,000	-	6,720,107
Furniture and Equipment	970,559	11,428	19,002	962,985
Total at Historical Cost	22,100,561	65,583	33,806	22,132,338
Less Accumulated Depreciation for:				
Buildings	12,733,902	68,205	-	12,802,107
Building Improvements	2,073,489	306,639	-	2,380,128
Furniture and Equipment	495,875	43,153	19,002	520,026
Total Accumulated Depreciation	15,303,266	417,997	19,002	15,702,261
Net Capital Assets	\$ 6,797,295	(\$ 352,414)	\$ 14,804	\$ 6,430,077

## 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 \$17,326.

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements  
June 30, 2013

## 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.

The following is a summary of property on lease at June 30, 2013:

Buildings	\$ 6,711,291
Leaseholds Improvements	<u>4,272,985</u>
	10,984,276
Less Accumulated Depreciation	<u>7,514,329</u>
	<u>\$ 3,469,947</u>

Minimum future rentals to be received on non-cancelable leases as of June 30, 2013 for each of the next five years and in the aggregate are:

2014	\$ 692,496
2015	500,005
2016	427,471
2017	400,814
2018	<u>375,712</u>
	<u>\$ 2,396,498</u>

Rent expense for the year ended June 30, 2013 was \$52,313.

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements  
June 30, 2013

## 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, 2013, interfund balances were as follows:

<u>Fund</u>	Interfund	
	Receivable	Payable
<b>General Fund</b>		
Enterprise Fund	\$ 370,533	\$ 39,939
Endowment Fund	41	12,128
<b>Enterprise Fund</b>		
General Fund	39,939	370,533
Endowment Fund	225,450	66,276
<b>Endowment Fund</b>		
General Fund	12,128	41
Enterprise Fund	66,276	225,450
Grand Total	<u>\$ 714,367</u>	<u>\$ 714,367</u>

Interfund transfers during the year ended June 30, 2013 were as follows:

<u>Fund</u>	Interfund	
	Transfers In	Transfers Out
<b>General Fund</b>		
Enterprise Fund	\$ -	\$ 153,561
<b>Enterprise Fund</b>		
General Fund	153,561	-
Endowment Fund	43,226	-
<b>Endowment Fund</b>		
Enterprise Fund	-	43,226
	<u>\$ 196,787</u>	<u>\$ 196,787</u>

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements  
June 30, 2013

## 13. Long-Term Debt

Long-term debt at June 30, 2013 consists of the following:

*\$2,658,251 Promissory Note, dated December 28, 2011*, 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, 2013 was \$2,589,192.

*\$33,806 Promissory Note, dated November 1, 2012*, due on November 1, 2015 with a fixed interest rate of 5.0%. The note requires thirty six monthly payments, beginning December 1, 2012, principal and interest of \$1,013 each. The balance due on this loan at June 30, 2013 was \$10,878.

Cash paid for interest was \$132,856 during the year ended June 30, 2013. 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, 2013 is as follows:

	Balances July 1, 2012	Additions	Reductions	Balances June 30, 2013
<b>Business-Type Activities</b>				
Promissory Note, Dated December 28, 2011	\$ 2,639,461	\$ -	\$ 50,269	\$ 2,589,192
Promissory Note, Dated November 1, 2012	-	33,806	22,928	10,878
<b>Total</b>	<u>\$ 2,639,461</u>	<u>\$ 33,806</u>	<u>\$ 73,197</u>	<u>\$ 2,600,070</u>

As of June 30, 2013, annual debt service requirements of business-type activities to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 63,695	\$ 128,538
2015	55,519	125,562
2016	58,360	122,721
2017	2,422,496	70,218
<b>Total Requirements</b>	<u>\$ 2,600,070</u>	<u>\$ 447,039</u>



# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Notes to Basic Financial Statements  
June 30, 2013

## 14. Capital Lease

The following lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the Statement of Net Position. Total assets purchased under the lease amount to \$11,428. Changes in lease obligations during the year were as follows:

	Balance July 1, 2012	Issuances	Payments	Balance June 30, 2013
Capital Lease Obligations				
\$16,835 Lease for Phone Equipment, dated November 2, 2012, due in monthly installments through November 2017, interest at 16.18%.	\$ -	\$ 11,428	\$ 911	\$ 10,517
	<u>\$ -</u>	<u>\$ 11,428</u>	<u>\$ 911</u>	<u>\$ 10,517</u>

The future minimum lease obligations and the present value of these minimum lease payments as of June 30, 2013 were as follows:

Due in Fiscal Year	Lease Payments
2014	\$ 3,348
2015	3,348
2016	3,348
2017	3,348
2018	<u>1,395</u>
Subtotal	14,787
Less: Amount Representing Interest	( 4,270)
Present Value of Minimum Lease Payments	<u>\$ 10,517</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

## 15. 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.

On August 28, 2013, the Authority approved to enter into a financial loan agreement with First Community Bank in the amount of \$19,137. The note has a term of 36 months and a fixed interest rate of 5.50%. Funds from the note will be used for the purchase of computer equipment for the administrative offices.

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## **SUPPLEMENTARY INFORMATION**

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Schedule of Revenue and Expense Enterprise Fund For the Year Ended June 30, 2013

	<b>Rialto Square Theatre</b>	<b>Rialto Office Complex</b>
<b>Operating Revenue</b>		
Office and Commercial Rent	\$ -	\$ 248,111
Utility Reimbursement	-	11,026
Theatre Rent	96,716	-
Rotunda Rent	96,064	-
Hospitality Suite Rent	163	-
Theatre Rental Reimbursement	111,115	-
Rotunda Rental Reimbursement	5,702	-
Preservation Fees	129,386	-
Ticket Income	1,652,673	-
Bar Income	246,475	-
Commissions Income	68,299	-
Tour Income	6,058	-
Box Office Handling Fees	21,857	-
Participant Income	81,166	-
Show Program Advertising	14,500	-
Dinner Packages	9,279	-
Other Income	5,917	23,036
	<hr/>	<hr/>
Total Operating Revenue	2,545,370	282,173
	<hr/>	<hr/>
<b>Operating Expense</b>		
Salaries		
Administrative	307,806	24,934
Engineer	138,275	38,082
Maintenance	26,018	2,177
Office	180,758	10,554
Theatre House	125,762	-
Theatre Stage	188,282	-
	<hr/>	<hr/>
Total Salaries	966,901	75,747
	<hr/>	<hr/>

<b>Total Rialto Complex</b>	<b>Two Rialto Square</b>	<b>Total Enterprise Fund</b>
\$ 248,111	\$ 418,411	\$ 666,522
11,026	1,229	12,255
96,716	-	96,716
96,064	-	96,064
163	-	163
111,115	-	111,115
5,702	-	5,702
129,386	-	129,386
1,652,673	-	1,652,673
246,475	-	246,475
68,299	-	68,299
6,058	-	6,058
21,857	-	21,857
81,166	-	81,166
14,500	-	14,500
9,279	-	9,279
28,953	-	28,953
<u>2,827,543</u>	<u>419,640</u>	<u>3,247,183</u>
332,740	24,934	357,674
176,357	39,728	216,085
28,195	392	28,587
191,312	10,554	201,866
125,762	-	125,762
188,282	-	188,282
<u>1,042,648</u>	<u>75,608</u>	<u>1,118,256</u>

(Continued)

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Schedule of Revenue and Expense Enterprise Fund For the Year Ended June 30, 2013

	<b>Rialto Square Theatre</b>	<b>Rialto Office Complex</b>
Benefits		
State U/C Tax	\$ 31,401	\$ 1,364
Pension (Union)	10,838	3,364
Employer FICA	74,760	5,866
Health Insurance	<u>100,029</u>	<u>12,920</u>
Total Benefits	<u>217,028</u>	<u>23,514</u>
Professional Services		
Accounting and Legal	14,042	3,091
Other	<u>840</u>	<u>-</u>
Total Professional Services	<u>14,882</u>	<u>3,091</u>
Advertising and Promotion		
Public Relations	3,585	-
Marketing/Rental Property	18,600	18
Institutional Advertising	31,091	-
Show Program Expense	9,439	-
Event Marketing	219,845	-
In-Kind Advertising	1,902	-
Tour Expense	<u>3,882</u>	<u>-</u>
Total Advertising and Promotion	<u>288,344</u>	<u>18</u>
Administrative Expense		
Office Supply (Non Print)	11,024	1,870
Small Equipment	4,220	465
Equipment Rental	1,899	498
Postage and Freight	2,417	268
Travel	4,509	126
License and Permits	2,065	-
Computer Supplies	2,043	1,201
Other	597	-
Membership Fees	<u>759</u>	<u>10</u>
Total Administrative Expense	<u>29,533</u>	<u>4,438</u>

<b>Total Rialto Complex</b>	<b>Two Rialto Square</b>	<b>Total Enterprise Fund</b>
\$ 32,765	\$ 1,308	\$ 34,073
14,202	3,124	17,326
80,626	5,648	86,274
<u>112,949</u>	<u>11,390</u>	<u>124,339</u>
 240,542	 21,470	 262,012
 17,133	 3,437	 20,570
<u>840</u>	<u>4,662</u>	<u>5,502</u>
 17,973	 8,099	 26,072
 3,585	 -	 3,585
18,618	-	18,618
31,091	-	31,091
9,439	-	9,439
219,845	-	219,845
1,902	-	1,902
<u>3,882</u>	<u>-</u>	<u>3,882</u>
 288,362	 -	 288,362
 12,894	 1,863	 14,757
4,685	465	5,150
2,397	43	2,440
2,685	268	2,953
4,635	126	4,761
2,065	-	2,065
3,244	1,201	4,445
597	-	597
<u>769</u>	<u>10</u>	<u>779</u>
 33,971	 3,976	 37,947

(Continued)

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Schedule of Revenue and Expense Enterprise Fund For the Year Ended June 30, 2013

	<b>Rialto Square Theatre</b>	<b>Rialto Office Complex</b>
Insurance		
Insurance	\$ 72,537	\$ 44,596
Total Insurance	<u>72,537</u>	<u>44,596</u>
Real Estate Expense		
Real Estate Taxes	-	-
Total Real Estate Expense	<u>-</u>	<u>-</u>
Custodial And Maintenance		
Custodial Supplies	5,134	2,313
General Maintenance/Repairs	14,289	39,157
Cleaning Service	<u>12,395</u>	<u>21,643</u>
Total Custodial and Maintenance	<u>31,818</u>	<u>63,113</u>
Utilities		
Electricity	21,264	65,798
Water	1,174	2,375
Gas	10,757	19,977
Telephone	<u>23,388</u>	<u>5,193</u>
Total Utilities	<u>56,583</u>	<u>93,343</u>
Artists Fees		
Regular Artist Fees	326,717	-
Contracted Musicians	<u>5,990</u>	<u>-</u>
Total Artists Fees	<u>332,707</u>	<u>-</u>



<b>Total Rialto Complex</b>	<b>Two Rialto Square</b>	<b>Total Enterprise Fund</b>
<u>\$ 117,133</u>	<u>\$ 51,068</u>	<u>\$ 168,201</u>
<u>117,133</u>	<u>51,068</u>	<u>168,201</u>
<u>-</u>	<u>1,072</u>	<u>1,072</u>
<u>-</u>	<u>1,072</u>	<u>1,072</u>
7,447	3,492	10,939
53,446	42,503	95,949
<u>34,038</u>	<u>39,774</u>	<u>73,812</u>
<u>94,931</u>	<u>85,769</u>	<u>180,700</u>
87,062	82,845	169,907
3,549	3,215	6,764
30,734	-	30,734
<u>28,581</u>	<u>5,756</u>	<u>34,337</u>
<u>149,926</u>	<u>91,816</u>	<u>241,742</u>
326,717	-	326,717
<u>5,990</u>	<u>-</u>	<u>5,990</u>
<u>332,707</u>	<u>-</u>	<u>332,707</u>

(Continued)

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Schedule of Revenue and Expense Enterprise Fund For the Year Ended June 30, 2013

	<b>Rialto Square Theatre</b>	<b>Rialto Office Complex</b>
House Expense		
Liquor and Beer	\$ 50,739	\$ -
Beverage	7,790	-
Bar Supplies	14,671	-
Bar/Souvenir Salaries	6,273	-
Sales Tax	26,014	-
Ticketing Expense	56,240	-
Credit Card Charges	38,423	-
Security	10,595	-
Reimbursement/Rental Expense	10,629	-
Souvenir Expense	396	-
Dinner Package Expense	16,762	-
Volunteer Program Expense	5,526	-
Hospitality Suite Expense	5,255	-
Miscellaneous	5,601	-
	<hr/>	<hr/>
Total House Expense	254,914	-
	<hr/>	<hr/>
Production Expense		
Royalties	5,080	-
Transportation Artist	4,890	-
Accommodations Artist	9,045	-
Food Artist	20,356	-
Instrument Tuning	425	-
Film Rental	1,437	-
Supplies	5,908	-
Musical Instrument Rental	1,123	-
Production Equipment Rental	47,008	-
Rotunda Equipment Purchase	21,179	-
Production Equipment Purchase	22,813	-
Theatre Rental Reimbursement Expense	10,022	-
Production Expense Other	712,443	-
	<hr/>	<hr/>
Total Production Expense	861,729	-
	<hr/>	<hr/>

<b>Total Rialto Complex</b>	<b>Two Rialto Square</b>	<b>Total Enterprise Fund</b>
\$ 50,739	\$ -	\$ 50,739
7,790	-	7,790
14,671	-	14,671
6,273	-	6,273
26,014	-	26,014
56,240	-	56,240
38,423	-	38,423
10,595	-	10,595
10,629	-	10,629
396	-	396
16,762	-	16,762
5,526	-	5,526
5,255	-	5,255
5,601	-	5,601
<u>254,914</u>	<u>-</u>	<u>254,914</u>
5,080	-	5,080
4,890	-	4,890
9,045	-	9,045
20,356	-	20,356
425	-	425
1,437	-	1,437
5,908	-	5,908
1,123	-	1,123
47,008	-	47,008
21,179	-	21,179
22,813	-	22,813
10,022	-	10,022
712,443	-	712,443
<u>861,729</u>	<u>-</u>	<u>861,729</u>

(Continued)

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Schedule of Revenue and Expense Enterprise Fund For the Year Ended June 30, 2013

	<u>Rialto Square Theatre</u>	<u>Rialto Office Complex</u>
Total Operating Expense Before Depreciation X	\$ 3,126,976	\$ 307,860
Operating Income (Loss) Before Depreciation	( 581,606)	( 25,687)
Depreciation	159,134	212,700
Operating Income (Loss)	( 740,740)	( 238,387)
<b>Non-Operating Revenue (Expense)</b>		
X Bad Debt Expense	-	-
Interest Income	112	68
X Interest Expense	-	( 131,949)
Support from City of Joliet	-	600,000
In-Kind Contributions	30,218	-
Total Non-Operating Revenue (Expense)	30,330	468,119
Net Income (Loss) Before Transfers	( 710,410)	229,732
<b>Transfers</b>		
Transfers In	196,787	-
Change In Net Position	(\$ 513,623)	\$ 229,732

<u>Total Rialto Complex</u>	<u>Two Rialto Square</u>	<u>Total Enterprise Fund</u>
\$ 3,434,836	\$ 338,878	\$ 3,773,714
( 607,293)	80,762	( 526,531)
371,834	46,162	417,996
( 979,127)	34,600	( 944,527)
-	( 11,149)	( 11,149)
180	-	180
( 131,949)	( 907)	( 132,856)
600,000	-	600,000
30,218	-	30,218
498,449	( 12,056)	486,393
( 480,678)	22,544	( 458,134)
196,787	-	196,787
(\$ 283,891)	\$ 22,544	(\$ 261,347)

# WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

## Schedule of Insurance Data (Unaudited) June 30, 2013

Below is a schedule of the Authority's insurance in effect at June 30, 2013.

<u>Insurance</u>	<u>Carrier</u>	<u>Expiration Date</u>
<b>Property</b>	Cincinnati Insurance Company	4/2/2014
\$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	
<b>Liability</b>	Cincinnati Insurance Company	4/2/2014
\$1,000,000	Liability Coverage	
<b>Comprehensive Umbrella Liability</b>	Cincinnati Insurance Company	4/2/2014
\$10,000,000		
<b>Workmen's Compensation And Employer's Liability</b>	Berkley Assigned Risk Services	10/16/2013
\$100,000	Bodily Injury by Accident Each Accident	
\$100,000	Bodily Injury by Disease Each Employee	
\$500,000	Bodily Injury by Disease Policy Limit	
<b>Liquor Liability</b>	Illinois Casualty Company	4/2/2014
\$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, 2013

<u>Insurance</u>	<u>Carrier</u>	<u>Expiration Date</u>
<b>Operating Engineers Health Benefits</b>	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	14	
Rialto Office Complex	5	

# **WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY**

Schedule of Organization Data  
(Unaudited)  
June 30, 2013

## **Board of Directors**

Chairman	James V. Smith
Vice Chairman	Robert A. Rogina
Secretary	Mary C. Babich
Treasurer – Appointed – Ex Officio	Randall L. Green
Director	Cynthia Tyler
Director	David R. Hacker
Director	David J. Thornton
Director	Vicki Murphy





WERNER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

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

JUN 17 2014

October 28, 2013

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, 2013. 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 May 15, 2012, 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.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the schedule of revenue and expense-enterprise fund, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, 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.

We have not been engaged to report on the schedule of insurance data and schedule of organizational data, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

#### 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 28, 2013 and issue our report on approximately May 15, 2014.

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,

*Werner, Rogan, Durant & Auzon, L.L.C.*



JUN 17 2014



WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

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

May 19, 2014

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

### **Communication With Those Charged With Governance at the Conclusion of the Audit**

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Will County Metropolitan Exposition and Auditorium Authority (WCMEAA or Authority) for the year ended June 30, 2013 and have issued our report dated May 19, 2014. 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 28, 2013. 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. As discussed in Note 1 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and the related GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2013. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. 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 disclosures of going concern and grants in Notes 8 and 9 to the financial statements detail the Authority's ability to continue as a going concern due to the City of Joliet experiencing 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.



The financial statement disclosures are neutral, consistent, and clear.

#### *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 May 19, 2014.

#### *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

We applied certain limited procedures to management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on schedule of revenue and expense - enterprise fund which accompanies the financial statements but are not RSI. With respect to this supplementary information, 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.

We were not engaged to report on the schedule of insurance data and schedule of organizational data which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.





Restriction on Use

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,

*Werner, Rogan, Dorian & Arzon, L.L.C.*



Adjusting Journal Entries  
WCMEAA/RSTC  
June 30, 2013

AJE No.	Account Description	W/P Ref	Account Number	Lead	Sublead	Debits	Credits
1	CAP CAMP PLDGE RCVBLE DISCOUNT	1200.07	1-4-11310R	23200		817.47	
1	CAP CAMP IMPROVEMENT DONATIONS		6-4-70002R	060080			817.47
1	CAP CAMP PLDGE RCVBLE DISCOUNT		1-4-11310R	23200		111.97	
1	CAP CAMP IMPROVEMENT DONATIONS		6-4-70002R	060080			111.97
To amortize the discount over the future years.							
2	CAP CAMP PLEDGES RECEIVABLE		1-4-11300R	23200		1,245.32	
2	CC PLDGE RCVBLE CURRENT PORTIO		1-4-11301R	23200			1,245.32
To reclassify pledge receivable current portion: \$10,000 to be received 6/30/14 and \$10,000 to be recieved 6/30/15.							
3	CAP CAMP GRANTS TO GEN FUND		6-4-40102R	060070			20,000.00
3	CAP CAMP PLEDGES RECEIVABLE		1-4-11300R	23200		20,000.00	
To reverse entry to move capital campaign receivable to the general fund.							
4	CAP CAMP GRANTS TO GEN FUND		6-4-40102R	060070			40.42
4	CAP CAMP GRANT TO WCMEAA		6-4-40202R	66010		40.42	
To reclassify amounts included in the general fund/wcmeaa interfund payables.							
5	A/R Due From City of Joliet		1-4-12000	2310		62,711.54	
5	DS TRANSFER TO ENTERPRISE		7-4-60300	5700			62,711.54
To adjust for amounts due from the City of Joliet at 6/30/13 related to the Civic Center Bond debt.							
6	A/F FUND DUE FRM RSTF ENDOW	2000.40	1-5-11030	2300		108.62	
6	RST CASH OVER/SHORT		5-1-52752	6202			108.62
To balance related party accounts.							
7	ENDOW DONATIONS	1200.075	6-2-70002R	60000		8,026.00	
7	ENDOWMENT PLEDGES REC DISCOUNT		1-2-11310R	23200			8,026.00
To adjust pledge revenue for present value discount.							
8	GRANT TO ENDOWMENT		6-1-40102R	060040		7,686.13	
8	GEN FUND DUE TO ENDOWMENT		2-1-20120R	44750			7,686.13
To record the 10% star dues payable to the endowment fund at year end.							
9	ENDOW DUE FROM GENERAL FUND		1-2-11006R	23850		7,686.13	
9	ENDOW %AGE OF PRZRVTN DUES		6-2-70012R	060110			7,686.13
To record 10% of star dues receivable from the general fund at year end.							
10	RST TRAVEL/CONFERENCE		5-1-43052	7200			90.00
10	RST CASH OVER/SHORT		5-1-52752	6202			478.32
10	2RS GENERAL MAINTENANCE/REPAIR		5-1-48805	7502			365.00
10	2RS TENANT ALLOWANCE		5-1-48605	7502			200.00
10	RST PHONE		5-1-49302	7200			55.07
10	RA PHONE		5-1-49304	7300			6.89
10	2RS PHONE		5-1-49305	7500			6.89
10	RST CASH OVER/SHORT		5-1-52752	6202			478.32
10	RST BOX OFFICE HAND FEE EXPENS		5-1-52202	7210			833.33
10	RST CASH OVER/SHORT		5-1-52752	6202			24.61
10	RST CASH OVER/SHORT		5-1-52752	6202			24.60
10	RST CASH OVER/SHORT		5-1-52752	6202			24.61
10	RST MEMBERSHIP FEES		5-1-43112	7200			250.00
10	RST CASH OVER/SHORT		5-1-52752	6202			305.00
10	RST CASH OVER/SHORT		5-1-52752	6202			2,500.00
10	RST CASH OVER/SHORT		5-1-52752	6202		126.78	
10	RST GENERAL MAINTENANCE/REPAIR		5-1-48802	7200			38.94
10	RA GEN MAINTENANCE/REPAIRS		5-1-48804	7301			11.28
10	RST GENERAL MAINTENANCE/REPAIR		5-1-48802	7200		10.95	
10	RA GEN MAINTENANCE/REPAIRS		5-1-48804	7301			47.98
To balance one-sided entry recorded by client.							
11	MAJOR ENDOW # 41-0337-01-8	1100.06	1-2-10100R	29000		63,399.00	
11	EF MAJOR RESTRICTED PORTION		1-2-10101R	029000			63,399.00
To reclass restricted portion of cash as such.							
12	DS FUND BALANCE	F/S	3-4-29000	5700			177.31
12	RETAINED EARNINGS		3-1-29800	5700		177.31	
To adjust beginning equity to balance funds.							
13	RETAINED EARNINGS	F/S	3-1-29800	5700			1.00
13	RST INTEREST INCOME		6-1-31002	6700		1.00	
To adjust beginning equity to agree to prior year.							
14	MARLIN BIZ BANK PHONE LOAN	1400.10	2-1-25800	5100		4,269.54	
14	EQUIPMENT		1-1-13300	3200			5,406.66
14	RA INTEREST EXPENSE		6-1-47104	7300		1,137.12	



Adjusting Journal Entries  
WCMEAA/RSTC  
June 30, 2013

AJE No.	Account Description	W/P Ref	Account Number	Lead	Sublead	Debits	Credits
To adjust capital lease so that only principal portion of lease is capitalized.							
15							
16	ENDOW PLEDGES RECEIVBLE CURRENT POR		1-2-11301R	23200		22,350.00	
16	ENDOW PLEDGES RECEIVABLE		1-2-11300R	23200			22,350.00
To reclassify current portion of endowment pledge receivable.							
Totals						<u>199,905.30</u>	<u>205,508.41</u>



Reclass Journal Entries  
WCMEAA/RSTC  
June 30, 2013

RJE No.	Account Description	W/P Ref	Account Number	Lead	Sublead	Debits	Credits
1	THEATRE RENT	5000.11	4-1-31002	6200		100.00	
1	THEATRE RENTAL REIMB INCOME		4-1-31042	6200		4,963.00	
1	2RS ENT TRANSF FRM ENDOWMENT		7-1-34005	6601			5,063.00
To reclassify transfers between entities.							
2	RSTC GRANTS FOR RST OPERATIONS	5000.11	6-1-70622	6601		27,414.00	
2	GIFT IN KIND		6-1-70002	6201			27,414.00
To record in kind donations from agency fund to revenue account rather than transfer account.							
3	N/P FCB USF/HOSPITALITY	120.09	2-1-25500	4501		2,536,373.78	
3	N/P FCB JOLIET - FABRIZZIO		2-1-25100	5000			2,536,373.78
3	FCB 100001147 NOTE PAYABLE		2-1-25700	5000		10,878.25	
3	N/P FCB USF/HOSPITALITY		2-1-25500	4501			10,878.25
To reclass current portion of debt for financial statement presentation purposes.							
4	SOA POSTAGE	F/S	5-1-43043	7400			3.13
4	RA POSTAGE		5-1-43044	7300		3.13	
To reclass postage expense for financial statement presentation purposes.							
5	MARLIN BIZ BANK PHONE LOAN	120.16	2-1-25800	5100		1,774.05	
5	MARLING BIZ BANK PHONE LOAN CURRENT		2-1-25801	4503			1,774.05
To reclass current portion of capital lease for financial statement presentation purposes.							
6	Unassigned	3000.10	3-1-52040	52040			5,163.64
6	DS FUND BALANCE		3-4-29000	5700		5,163.64	
6	CAP CAMP REST FUND BALANCE		3-4-29800R	56000		198,993.61	
6	DES OPER RESTRICTED FUND BAL		3-5-29800R	56000		186,453.55	
6	GENERAL FUND BALANCE		3-1-29800R	56000		9,565.10	
6	JALB UNRESTRICTED FUND BALANCE		3-6-29850R	56000		3,574.93	
6	Restricted- Capital Projects		3-1-52010R	52010R			9,175.00
6	Assigned -Budgetary Deficits Gen Fd		3-1-52031R	52030R			201,417.00
6	Unassigned		3-1-52050R	52040R			187,995.19
6	Nonspendable- Endowments		3-1-52000R	52000R			926,933.44
6	Assigned- Budgetary Deficits		3-1-52030R	52030R			7,048.00
6	ENDOW RESTRICTED FUND BALANCE		3-2-29800R	56000		581,922.69	
6	ENDOW UNRESTRICTED FUND BALANCE		3-2-29850R	056000		12,861.40	
6	JALB RESTRICTED FUND BALANCE		3-6-29800R	56000		100,000.00	
6	Unassigned		3-1-52040R	52040R		239,197.35	
To record GASB 54 adjustments.							
						<u>3,919,238.48</u>	<u>3,919,238.48</u>





JUN 17 2014



WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

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

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 and each major fund of Will County Metropolitan Exposition and Auditorium Authority (WCMEAA or Authority) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered WCMEAA'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 WCMEAA's internal control to be a material weakness:

### **Preparation of the 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. The condition is limited to external financial reporting in accordance with accounting principles applicable to governments, due to the complex nature of governmental accounting. After reviewing financial statement preparation procedures, adjusting journal entries, and financial statements with the Authority's management, management was able to oversee WRDR's financial statement preparation and related services.



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.

*Werner, Roger, Doran & Auzon, L.L.C.*

May 19, 2014





WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

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JUN 17 2014

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

### **Management Letter**

In planning and performing our audit of the financial statements of Will County Metropolitan Exposition and Auditorium Authority (Authority) for the year ended June 30, 2013 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 May 19, 2014, 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, including documentation of review.



## **Financial Reporting – New GASB Statement**

A future area of focus for the Authority will be the implementation of the new *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions*—an amendment of *GASB Statement No. 27*.

### **GASB Statement No. 68**

GASB Statement No. 68, which was issued in June, 2012, will be effective for the Authority's financial statements for the fiscal year ending June 30, 2015. A brief description, using excerpts from the new GASB Statement, follows:

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The effect on Illinois municipalities will be related to liabilities and disclosures for municipal pension funds.

Statement 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. Unless otherwise specified by this Statement, all assumptions underlying the determination of the total pension liability and related measures set forth by this Statement are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

The requirements of Statement 68 will improve the decision-usefulness of information in employer financial statements as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of pension measurements.
- Explanations of how and why the net pension liability changed from year to year will improve transparency.





- The summary net pension liability information, including ratios, will offer an indication of the extent to which the total pension liability is covered by resources held by the pension plan.
- The contribution schedules will provide measures to evaluate decisions related to the assessment of contribution rates—in comparison to actuarially, statutorily, or contractually determined rates, when such rates are determined. It also will provide information about whether employers and nonemployer contributing entities, if applicable, are keeping pace with those contribution rates.

The following sections of the Authority's annual financial report will be affected: management's discussion and analysis, the basic financial statements, notes to the basic financial statements and supplementary information.

*Recommendation:* We recommend the Authority familiarize itself with GASB 68 reporting and disclosure requirements in order to prepare for implementation for the 2015 financial statements.

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.

*Werner, Rogers, Doran & Auzon, L.L.C.*

May 19, 2014

