# STATE OF CONNECTICUT

***AUDITORS' REPORT***
***STADIUM AT RENTSCHLER FIELD***
***FOR THE FISCAL YEAR ENDED JUNE 30, 2011***


AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN | State Capitol<br>210 Capitol Avenue<br>Hartford, Connecticut 06106-1559 | ROBERT M. WARD

**INDEPENDENT AUDITORS' REPORT**
**STADIUM AT RENTSCHLER FIELD**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Secretary Benjamin Barnes
State of Connecticut
Office of Policy and Management
450 Capitol Avenue
Hartford, CT 06106

We have audited the accompanying financial statements of the Stadium at Rentschler Field (Stadium), as of June 30, 2011, and the fiscal year then ended. These financial statements are the responsibility of the State of Connecticut's Office of Policy and Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Stadium are intended to present the financial position and the respective changes in financial position and cash flows that are attributable to the transactions of the Stadium. They do not purport to, and do not present fairly, the financial position of the state as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stadium as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2012 on our consideration of the Stadium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

August 28, 2012
State Capitol
Hartford, Connecticut

RENTSCHLER FIELD
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011
(See accompanying notes to the financial statements)

| | Stadium Facility Enterprise Fund | Operating Accounts | Total |
|---|---|---|---|
| | $ | $ | $ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and equivalents | 321,430 | 274,855 | 596,285 |
| Restricted cash | | 126,486 | 126,486 |
| Accounts receivable | 227 | 339,457 | 339,684 |
| Prepaid expenses | | 25,315 | 25,316 |
| Total Current Assets | 321,657 | 766,113 | 1,087,770 |
| Capital Assets | | | |
| Building additions and improvements | 74,621,281 | | 74,621,281 |
| Stadium equipment | 2,826,255 | | 2,826,255 |
| Less accumulated depreciation | (17,316,515) | | (17,316,515) |
| Total Capital Assets | 60,131,021 | | 60,131,021 |
| Total Assets | $ 60,452,678 | $ 766,113 | $ 61,218,791 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accrued expenses | | 232,541 | 232,541 |
| Due to operations manager | | 380,274 | 380,274 |
| Deferred revenues | | 85,009 | 85,009 |
| Admissions tax payable | | 239 | 239 |
| Total Current Liabilities | - | 698,063 | 698,063 |
| NET ASSETS | | | |
| Invested in capital assets | 60,131,021 | | 60,131,021 |
| Capital contributions | | | |
| Unrestricted | 321,657 | 68,050 | 389,707 |
| Total Net Assets | $ 60,452,678 | 68,050 | 60,520,728 |
| Total Liabilities and Net Assets | $ 60,452,678 | $ 766,113 | $ 61,218,791 |

RENTSCHLER FIELD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2011
(See accompanying notes to the financial statements)

| | Stadium Facility Enterprise Fund | Operating Accounts | Total |
|---|---|---|---|
| OPERATING REVENUES: | $ | $ | $ |
| Event operations | | 2,091,873 | 2,091,873 |
| Expense reimbursement | | 1,449,925 | 1,449,925 |
| Parking | | 818,645 | 818,645 |
| Liquor/beer income | | 566,346 | 566,346 |
| Food operations | | 497,525 | 497,525 |
| Signage and sponsorship | | 115,869 | 115,869 |
| Other revenue | | 221,699 | 221,699 |
| Total Operating Revenues | - | 5,761,882 | 5,761,882 |
| OPERATING EXPENSES | | | |
| Event operations | | 1,776,876 | 1,776,876 |
| Facility | 249,003 | 969,816 | 1,218,819 |
| Parking | | 331,445 | 331,445 |
| Administrative | | 2,155,207 | 2,155,207 |
| Management fee | 124,724 | 380,274 | 504,998 |
| Depreciation expense | 2,165,818 | | 2,165,818 |
| Total Operating Expenses | 2,539,545 | 5,613,618 | 8,153,163 |
| OPERATING INCOME (LOSS) | (2,539,545) | 148,264 | (2,391,281) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 1,119 | - | 1,119 |
| Other income (expense) | 127,966 | - | 127,966 |
| Net Nonoperating Revenues (Expenses) | 129,085 | - | 129,085 |
| OTHER NONOPERATING ACTIVITIES (USES) | | | |
| Transfer in (out) – capital assets | 175,542 | | 175,542 |
| Purchase of capital assets (net) | (74,541) | 147,527 | 72,986 |
| Transfers in (out) – other | 342,704 | (342,704) | |
| Payment of prior period liability | (195,177) | 319,900 | 124,723 |
| Net Other Nonoperating Activities (Uses) | 248,528 | 124,723 | 373,251 |
| CHANGE IN NET ASSETS | (2,161,933) | 272,987 | (1,888,946) |
| NET ASSETS, Beginning of year | 62,614,611 | (204,937) | 62,409,674 |
| NET ASSETS, End of year | $ 60,452,678 | $ 68,050 | $ 60,520,728 |

RENTSCHLER FIELD
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2011
(See accompanying notes to the financial statements)

| | Stadium Facility Enterprise Fund | Operating Accounts | Total |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | $ | $ | $ |
| Received from customers and concessionaires | - | 5,761,882 | 5,761,882 |
| Payments to vendors and suppliers | ( 415,104) | (5,191,645) | (5,606,749) |
| Net Cash Provided by Operating Activities | (415,104) | 570,237 | 155,133 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | (176,603) | | (176,603) |
| Other income | 127,966 | | 127,966 |
| Interest income | 1,413 | | 1,413 |
| Net Cash Provided by (Used in) Investing Activities | (47,224) | - | (47,224) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers in | 342,704 | | 342,704 |
| Transfers out | (124,724) | (342,704) | (467,428) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 217,980 | (342,704) | (124,724) |
| Net increase (decrease) in cash and cash equivalents | (244,348) | (227,533) | (471,881) |
| CASH AND CASH EQUIVALENTS, Beginning | 565,778 | 628,874 | 1,194,652 |
| CASH AND CASH EQUIVALENTS, Ending | $ 321,430 | $ 401,341 | $ 722,771 |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income | (2,539,545) | 148,264 | (2,391,281) |
| Depreciation expense | 2,165,818 | | 2,165,818 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | | 339,457 | 339,457 |
| prepaid expenses and all other assets | | 19,570 | 19,570 |
| Accounts payable and other liabilities (net) | | 198,141 | 198,141 |
| Net transfers liability and equipment | (41,377) | (135,195) | (176,572) |
| Net Cash Provided by Operating Activities | ,$ (415,104) | $ 570,237 | $ 155,133 |

**STADIUM AT RENTSCHLER FIELD**
**FISCAL YEAR ENDED JUNE 30, 2011**
**NOTES TO FINANCIAL STATEMENTS**

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Stadium at Rentschler Field (Stadium) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

***Reporting Entity*** - The Rentschler Field Stadium accounts are owned by the State of Connecticut and are operated by the Office of Policy and Management of the State of Connecticut (OPM). Under Chapter 588z, Sections 32-650 through 32-669 of the Connecticut General Statutes, for the purpose of operating a facility known as the Rentschler Field Stadium in East Hartford, Connecticut, the state legislature authorized OPM to (1) acquire the necessary real property for the Stadium facility site, (2) contract for professional services related to the design and construction of the Stadium, (3) coordinate the project with other state agencies and (4) provide for most facets of the Stadium's operations. The state legislature established the Stadium Facility Enterprise Fund as an enterprise fund and authorized OPM to establish revenue, operating, box office, and specific event escrow accounts as needed, thus maintaining separate accounting records for Stadium operations in accordance with the General Statutes.

OPM has entered into various contractual agreements for the management and operation of the Stadium facility. For purposes of these agreements, OPM represents the state as the owner of the Stadium. These agreements are summarized below as follows:

- The lease agreement with the University of Connecticut (UConn) grants UConn the right to use the facility for home football games or any other events, with a minimum of ten events per year. The lease agreement provides that UConn pay OPM a base rent and any other incremental operating expenses.

- The Stadium management agreement with the Bushnell Management Services, LLC (BMS), dated May 28, 2010, which is effective as of June 1, 2010, provides that BMS will manage operations of the Stadium for an initial term through June 30, 2013. Unless either party opts to terminate, the agreement is automatically renewed for an additional two year period (through June 30, 2015). BMS will receive a base management fee of $165,000 in the initial year of the contract, which is on a state fiscal year basis, increasing annually by the percentage increase in the consumer price index. For the provision of management services during the period of June 1, 2010, to June 30, 2010, BMS received a one-time fixed fee of $13,750. BMS is also entitled to an incentive fee of 50 percent of event gross revenues for each non-UConn event, with the exception that event gross revenue relative to a non-UConn event booked prior to June 1, 2010, for which the prior manager Northland AEG, LLC (NAEG) provided ticketing services, shall exclude ticket royalties, rebates or similar payments from ticketing companies, ticket vendors or sales agents.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- In order to comply with Internal Revenue Service provisions, such incentive fee was capped on an annual basis at an amount equal to the base management fee, so that the incentive fee would in no event exceed 50 percent of BMS' total fee in any contract year.

- The concessions agreement with Bushnell Management Services, LLC, dated May 28, 2010, which is effective as of June 1, 2010, provides that BMS will manage concessions operations for an initial term through June 30, 2013. Unless either party opts to terminate, the agreement is automatically renewed for an additional two year period (through June 30, 2015). As part of this concession management agreement, BMS is entitled to 40 percent of total concession commissions, excluding concession commissions attributable to or based on the sale of alcoholic beverages, and 50 percent of net non-UConn parking revenues.

In addition, under its management agreement with BMS, OPM authorized its manager to act as agent in various management agreements with third-party providers for parking facilities, concessions and catering, and certain other functions required during the course of operations.

The financial statements of the Stadium are intended to present the financial position, and the respective changes in the financial position and cash flows that are attributable to the transactions of the Stadium. They do not purport to, and do not present fairly, the financial position of the state as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformance with accounting principles generally accepted in the United States of America.

The Stadium has not presented a management's discussion and analysis (MD&A) in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* because the focus of an MD&A is on a primary government. The State of Connecticut, the primary government, will provide an MD&A in its Comprehensive Annual Financial Report that could include analysis of the Stadium.

***Measurement Focus and Basis of Accounting*** - The Stadium fund is an enterprise fund type. The Stadium's operations and balances are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

Enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

goods or services on a continuing basis are financed or recovered primarily through user charges.

The Stadium's financial statements are reported using the flow of financial resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Debt incurred for the acquisition of the Stadium is not reflected on the balance sheet because the State of Connecticut had not intended for the Stadium’s operations to support the repayment of that debt.

The Stadium distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the operation of the Stadium. The principal operating revenues of the Stadium are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and management fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***Revenues*** - Revenue recognition policies are as follows:

- Event Operations - Event operations charges are principally generated from ticket sales and advertising signage. Event revenue is recognized when an event takes place. Advance ticket sales are held in deferred revenue until the time of an event.

- Facility Rent - Facility rent charges are generated from agreements with UConn and other event organizers for the use of the facility. Facility rent is recognized when an event takes place.

- Food Operations - Food operation fees are generated from various food and beverage concession agreements with third parties. Revenue is recognized based on reported concessionaire revenue.

- Parking Fees - Parking fees are generated from an agreement with a third party to operate event parking at the Stadium. Revenue is recognized at the time of an event.

- Other - All other types of revenues are recognized when earned.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the Stadium applies all GASB pronouncements and all Financial Accounting Standards Board Statements, interpretations, Accounting Principles Board Opinions and Accounting Research

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

The Stadium's major fund consists of the Stadium Facility Enterprise Fund, which is comprised of a civil list fund of the same name, as well as other accounts described below and aggregated in the financial statements under the heading Operating Accounts:

***Stadium Facility Enterprise Fund -*** The Stadium Enterprise Fund (an enterprise fund) consists of income generated by the Stadium to be used for maintenance and capital improvements for the Stadium.

***Box Office Account -*** All amounts received as payment for tickets or admissions to events, including ticket surcharge revenues, are recorded in the Box Office Fund.

***Operating Account -*** The administrative functions of the Stadium are accounted for in the Operating Account. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. The Operating Account, in accordance with Connecticut General Statutes, is allowed to maintain a balance of no more than three months of operating revenue with the excess funds to be transferred to the Stadium Facility Enterprise Fund. During the 2011 fiscal year, it was determined that there were excess funds in the Operating Account in the amount of approximately $500,000 eligible for transfer to the Stadium Facility Enterprise Fund. However, the funds were not transferred to the Stadium Facility Enterprise Fund and resulted in the financial statements being presented without financial information that would have impacted several accounts. If the excess funds had been transferred to the Stadium Facility Enterprise Fund, certain expenditure transactions made from the Operating Account would have been reimbursed from the Stadium Facility Enterprise Fund and those transactions would have been recorded on the records of the Stadium Facility Enterprise Fund. One of the expenditure transactions was for the purchase of capitalized equipment that would have been recognized on the records of the Stadium Facility Enterprise Fund, captured, and reported on the inventory records of the Office of Policy and Management and reported in its annual property and inventory report to the Office of the State Comptroller. The capitalized equipment inventory was not properly reported as a result of the excess Operating Account funds not being transferred to the Stadium Facility Enterprise Fund. For purposes of presentation, the financial statements within this report were adjusted to reflect the transfer of excess funds from the Operating Account to the Stadium Facilities Enterprise Fund in the amount of expenditures made from the Operating Account that would have been reimbursed by the Stadium Facilities Enterprise Fund, which amounted to $342,704.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Cash Equivalents*** - For purposes of the statements of cash flows, the Stadium considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2010 and 2011.

***Accounts Receivable*** **-** At the end of the fiscal year 2011, the Stadium had two accounts receivable accounts that were more than 90 days uncollected. The two accounts making up the accounts receivable amount of $265,048 were from the Hartford Hockey Club, LLC at $263,802 and UConn at $1,246. Management did not record an allowance for doubtful accounts as they are vigorously attempting collection and believe these amounts will be collected. Accordingly, the financial statements do not reflect an allowance for doubtful accounts.

***Capital Assets*** **-** Capital assets include the Stadium itself, major building additions and improvements, and stadium equipment. Capital assets are defined by the Stadium as assets with an initial individual cost of more than $1,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Stadium are depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Building | 40 years |
| Building additions and improvements | 20 years |
| Stadium equipment | 10 years |

The capital assets value and depreciation amounts for the fiscal year ending June, 30, 2011, as presented in the accompanying Statement of Net Assets, were impacted by the Operating Account's excess funds not being transferred in accordance with the Connecticut General Statutes (refer to the note under Operating Account above for a description).

***Deferred Revenues*** **-** Deferred revenues represent prepaid ticket sales and advertising revenues for future events.

***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 and disclosures in the financial statements. Actual results could differ from those estimates. An allowance for doubtful accounts would be such an estimate.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Income Taxes*** **-** The Stadium is exempt from state and federal income taxes.

***Presentation of Sales Tax*** **-** The State of Connecticut imposes a sales and admissions tax on the Stadium events and activities. With the exception of UConn events, the Stadium collects that sales and admissions tax from event attendees and remits the entire amount to the state. (UConn pays the state directly for their events.) The Stadium's accounting policy is to exclude the tax collected and remitted to the state from sales.

***Deficit in Net Assets*** **-** An unrestricted net asset surplus of $68,050 exists in the Operating Account, which is in part attributable to the non recognition of doubtful account receivables and the non transfer of surplus funds from the Operating Account to the Stadium Facility Enterprise Fund in the amount of surplus funds available during the fiscal year.

## BUDGETARY INFORMATION

Per BMS' management agreement with OPM, dated May 28 2010, BMS is required to submit the annual operating budget for the first contract year by the later of thirty (30) days following execution of the contract agreement with OPM and June 20, 2010. In addition, consistent with the language included in the management agreement with the prior manager, BMS' management agreement requires that an annual operating budget be submitted by BMS to OPM within 120 days prior to the beginning of each contract year after the first contract year.

OPM is required to respond to the proposed annual budget within 30 days of receipt. OPM is then required to submit the budget to the legislature and the Office of the State Comptroller for review in accordance with Section 32-657 of the Connecticut General Statutes. However, the legislature and the Comptroller's Office are not legally required to approve the budget and accordingly, budgeted amounts are not reflected in the financial statements.

## NOTE 2 – CASH DEPOSITS

Governmental Accounting Standards Board Statement No. 3 requires governmental organizations to categorize their cash deposits into three levels of risk. Category 1 includes amounts insured or collateralized with securities held by the Stadium or by its agent in the Stadium's name. Category 2 includes amounts which are collateralized with securities held by the pledging financial institution's trust department or agent in the name of the Stadium. Category 3 includes amounts which are uninsured and uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the name of the Stadium.

**NOTE 2 – CASH DEPOSITS** (Continued)

For purposes of this disclosure, cash deposits include bank deposits (Category 1) as defined by Governmental Accounting Standards Board Statement No.3. As of June 30, 2011, the bank balance was $875,263 which was fully insured by the Federal Deposit Insurance Corporation.

The full insurance coverage applies to all non-interest bearing accounts for the period of December 31, 2010 through December 31, 2012. The Stadium's bank accounts are non-interest bearing.

**NOTE 3 -ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2011, consisted of the following:

| | Stadium Facility Enterprise Fund | Operating Account | Total |
|---|---|---|---|
| | $ | $ | $ |
| Interest receivable | 227 | | 227 |
| Accounts receivable | - | 339,457 | 339,457 |
| Total | $ 227 | $ 74,409 | $ 74,636 |

For the purpose of this note, management did not include any amounts for the allowance for doubtful accounts as of, and for, the fiscal year ended June 30, 2011.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the period July 1, 2010, through June 30, 2011, is presented in the schedule below:

| | Balance at June 30, 2010 | Additions | Disposals | Balance at June 30, 2011 |
|---|---|---|---|---|
| Building, additions and improvements | $ 74,548,295 | $ 72,986 | $ - | $ 74,621,281 |
| Stadium equipment | 2,650,712 | 176,603 | (1,060) | 2,826,255 |
| | 77,199,007 | 249,589 | (1,060) | 77,447,536 |
| Less accumulated depreciation | (15,150,697) | (2,165,818) | | (17,316,515) |
| Total | $ 62,048,310 | $ (1,916,229) | $ (1,060) | $ 60,131,021 |

**NOTE 4 – CAPITAL ASSETS** (Continued)

The schedule above includes capital asset activity that was not transacted in accordance with Connecticut General Statutes for excess Operating Account funds described in Note 1 above, Operating Account.

**NOTE 5 – DEFERRED REVENUE**

As of June 30, 2011, the Stadium had received payment for ticket sales in the amount of $48,792 and deferred sponsorship revenue in the amount of $36,000 for future events. These amounts are included as deferred revenue on the accompanying Statement of Net Assets.

**NOTE 6 - DUE TO OPERATIONS MANAGER**

Northland AEG, LLC, the manager of the Stadium for the period from July 1, 2009, through May 31, 2010, was paid management and incentive fees from the Stadium's cash accounts. The Stadium management agreement with Northland AEG was terminated effective May 31, 2010. However, under a separate transition agreement with the Office of Policy and Management, dated March 9, 2010, Northland AEG was paid the management fee in the amount of $13,038, for the month of June 2010 following the termination of its contract. The management fee owed to NAEG for the month of June 2010 was paid by the new operations manager, Bushnell Management Services, LLC, during fiscal year 2011. In addition, the incentive fee due to NAEG for the eleven-month period ended May 31, 2010, totaling $195,176, was paid during fiscal year 2011.

The contract with the new manager of the Stadium, Bushnell Management Services, LLC, took effect June 1, 2010. The new manager is to be paid management and incentive fees from the Stadium’s cash accounts. As of the fiscal year ended June 30, 2011, Bushnell Management Services was owed a base management fee of $165,000 and incentive fees totaling $215,274.

See Note 1 for more specific details on the calculation of these fees.

**NOTE 7 – OPERATING LEASES**

The Stadium leases cell tower space to four entities under various lease agreements that expired in November 2010 and were renewed for an additional five year term with an option remaining for another five year term renewal. Rental income recognized under the lease agreements was approximately $127,966.

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

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ROBERT M. WARD

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Secretary Benjamin Barnes
State of Connecticut
Office of Policy and Management
450 Capitol Avenue
Hartford, CT 06106

We have audited the financial statements of each major fund of the Stadium at Rentschler Field (Stadium) as of June 30, 2011, and for the year then ended, and have issued our report thereon dated August 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Stadium's internal control over financial reporting as a basis for designing our auditing procedures 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 Stadium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Stadium's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stadium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Office of Policy and Management in a separate letter dated August 28, 2012.

This report is intended solely for the information and use of the management of the Stadium and the State of Connecticut. However, this report is a matter of public record and its distribution is not limited.

Robert M Ward

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

August 28, 2012
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

ROBERT M. WARD

# MANAGEMENT LETTER

Secretary Benjamin Barnes
State of Connecticut
Office of Policy and Management
450 Capitol Avenue
Hartford, CT 06106

In planning and performing our audit of the financial statements of the Stadium at Rentschler Field for the fiscal year ended June 30, 2011, we considered the Stadium's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. We noted no matters involving the internal accounting control structure and its operation that we consider to be material weaknesses according to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

However, during our review we became aware of certain matters that are opportunities for strengthening internal controls and compliance, as well as improving operational efficiencies. The following summarizes our observations regarding those matters. This letter does not affect our report dated August 28, 2012 on the financial statements of the Stadium at Rentschler Field.

**Utilization of the Stadium Facility Enterprise Fund and the Operating Account:**

*Criteria:* Section 32-657, subsection (b), of the General Statutes authorizes the Secretary of the Office of Policy and Management to establish a Stadium Facility Enterprise Fund; Section 32-657, subsection (c), states that a capital replacement reserve subaccount shall be established within the Stadium Facility Enterprise Fund to be known as the stadium facility capital replacement account. Money in the stadium facility capital replacement account shall be available and used for the costs of capital replacements, restorations, alterations, improvements, additions and enhancements to the stadium facility, including the costs of maintenance and repairs for which funds are not otherwise available in the Stadium Facility Enterprise Fund.

Section 32-657, subsection (d), of the General Statutes authorizes the Secretary of the Office of Policy and Management to establish a Revenue Account for the purpose of collecting revenues from daily operations of the Stadium. These revenues are to be transferred to the Operating Account as necessary to pay expenses. If there is an amount on deposit in the Revenue and Operating Accounts that exceeds three months of projected expenses, the excess is to be transferred to the Stadium Facility Enterprise Fund. (The Revenue Account was permanently closed, effective March 31, 2010, leaving the Operating Account as the account for collecting revenues from daily operations and for paying expenses.)

*Condition:* During the audited period it was determined by OPM and Bushnell Management Services (BMS) that $500,000, beyond what BMS would require for operating expenses for the next three months, was available for transfer from the Operating Account to the Stadium Facility Enterprise Fund. The funds were not transferred but were instead retained by BMS in the Operating Account and used to make maintenance and capital expenditures, and management fee payments to the Stadium's previous management company.

*Effect:* The capitalized expenditures made by BMS were not recognized by OPM for inclusion in the Asset Management/Inventory Report, CO-59, resulting in an understatement of capitalized equipment and overall value of the agency's inventory for the 2011 fiscal year by $147,527. The expenditure was not processed through Core-CT as a reimbursement to BMS for equipment and resulted in the transaction not being recorded in Core-CT and not being recognized by OPM as additions to inventory.

Some of the financial activities for the Stadium were not reflected in the financial records. The transfer of excess Operating Account funds were not directly transferred and recorded as being transferred to the Stadium Facility Enterprise Fund. Expenditures that would have been processed through the state's accounting system, Core-CT, for equipment, repairs, and management incentive fees to the prior management company were not processed through Core-CT and not recorded as expenditures by OPM through the Stadium Facility Enterprise Fund.

The excess funds retained in the Operating Account and not transferred to the Stadium Facility Enterprise Fund is a violation of various subsections of Section 32-657 of the Connecticut General Statutes.

*Cause:* The Office of Policy and Management made the decision to allow the management company to retain the excess Operating Account funds in order to facilitate the purpose for which the funds would ultimately be used rather than follow the procedures established per the Section 32-657 of the Connecticut General Statutes.

*Recommendation:* The Office of Policy and Management should ensure that it complies with Connecticut General Statutes, established policies, procedures, and contractual agreements relative to financial transactions between OPM and the Stadium management company. OPM should make the necessary adjustments to its financial records in order to ensure that expenditures and asset acquisitions are properly recognized and disclosed.

*Agency Response:* "OPM concurs with this finding and is working with Bushnell Management Services to make the necessary adjustments to our financial records. We will work to ensure that all financial transactions moving forward comply with statutory requirements, established policies, procedures and contractual agreements."

**Accounts Receivable – Allowance for Doubtful Accounts**

*Criteria:* Generally accepted accounting principles establishes standards for recording and reporting financial information, which includes accounts receivables, in order that users of the financial information may have a reasonably accurate determination of the operations and financial condition of the reporting entity. This would require accounts receivables to be reported in a manner reflective of their likely realizable value, which would require the establishment of an allowance of doubtful accounts to identify those accounts receivables determined to be doubtful of collection.

*Condition:* Bushnell Management Services (BMS) has identified two account receivable accounts totaling $265,048 that were over three months past due at the end of the 2011 fiscal year and have been determined doubtful for collection. The balance sheet for the 2011 fiscal year does not reflect any qualification in the collection of accounts receivables.

*Effect:* The accounts receivable amount reported per the balance sheet of the Operating Account does not take into consideration the doubtful collection of receipts identified as such. Therefore, the accounts receivables appear to be overstated.

*Cause:* Bushnell Management Services did not create a contra asset, an allowance for doubtful accounts, to recognize accounts receivables doubtful for collection.

*Recommendation:* The financial statements should be presented in a manner to accurately reflect the financial conditions and operations of the entity being represented, and as such, when accounts receivables are identified as being doubtful for collection, a contra asset should be established in order for users of the financial statements to have a more accurate representation of the entity's operations and financial condition.

*Agency Response:* "We respectfully take exception to this finding. While we have serious concerns about this account, we have not abandoned hope of collecting these funds and are working with Bushnell Management to pursue collection efforts.

Furthermore, we have not utilized contra assets in the past because the nature of the Stadium business is such that all event expenses are deducted from ticket proceeds at the time of event settlement. Outstanding expenses (and doubtful accounts) are essentially an anomaly, in this case the result of an unexpected winter storm that generated large snow removal expenses, while also discouraging attendance."

*Auditor's Concluding Comment:*

The amount deemed doubtful for collection was so determined by Bushnell Management Services per audit interviews. The amounts in question remain uncollected leading up to the drafting of this report, which would age the uncollected amounts at more than a year uncollected. If the amounts in question are collected at a later date, the Stadium would have the ability to recognize the collections. However, for the purpose of presenting the financial condition of the Stadium in as accurate a manner as is reasonable, a conservative estimation of its accounts receivables would be more in accordance with generally accepted accounting principles.

## CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies shown to our representatives during the course of our audit. The assistance and cooperation extended to them by the personnel of The Bushnell Management Services, LLC, and the representatives of the Office of Policy and Management greatly facilitated the conduct of this examination.

Mark Dickerson
Associate Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts