

The Honorable Mayor and Members
of the City Council
City of Madison
Madison, Alabama

Background

In 2018, the City of Madison, AL (the City) entered into an agreement with BallCorps LLC, which owns and operates a Class AA Professional Minor League Baseball team in the Southern League of Professional Baseball Clubs, Inc. This was done in an effort to provide economic, recreational, cultural and community development opportunities for residents of the City and provide additional employment opportunities and expand the economic tax base, as well as to increase regional exposure for tourism. The City financed the construction of a venue for the baseball club with the proceeds of its General Obligation Taxable Warrants, Series 2018, and is leasing to BallCorps LLC for the team to play its home baseball games.

Scope of Engagement

As noted in Article IV of the Venue License, Lease, and Management Agreement (Agreement) between the City and BallCorps LLC, the City shall receive not less than one million dollars (\$1,000,000) from the Venue Revenue, as defined in the Agreement as follows: the gross revenues payable to the City from the City's share of (a) parking fee revenue generated in the Parking Areas, (b) Base License Fees, (c) City Events, (d) Naming Rights, (e) Performance License Fees, (f) Applicable Sales Tax Proceeds, and (g) BallCorps Non-Baseball Events. On or prior to March 15 of each year during the term, BallCorps LLC shall provide detailed accounting of all payments and receipts which together constitute the Venue Revenue for the prior calendar year, as well as full access to all records and personnel which account for the same.

We were engaged by the City to perform certain procedures to test certain 2021 revenues, expenses, and net profits of BallCorps, LLC relating to parking revenues, base license fees, performance license fees and non-baseball events, sub-sets of Venue Revenue. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed by us are detailed below. Any differences between the procedures set forth in this report and those discussed in the engagement letter reflect modifications that were made at your request or discussed with you during the course of the engagement.

Our procedures were performed in conformity with *Statements on Standards for Consulting Services* of the American Institute of Certified Public Accountants. The procedures that we performed do not constitute an audit of the historical financial statements in accordance with generally accepted auditing standards, nor do they constitute an examination of prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants. Additionally, our procedures do not address the effectiveness of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act.

While we believe the information obtained is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes. In addition, we have no responsibility to update this report for events or circumstances occurring after the date of this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on any financial statements or schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would be reported to you.

The procedures and associated findings are as follows:

- 1) Obtain and read applicable legal agreements between BallCorps, LLC and the City of Madison, AL.

Findings: No exceptions were found as a result of this procedure.

- 2) Obtain summary sheets of 2021 revenue, expenses, and net profits of Non-Baseball Events (Summary Sheets). Foot and check clerical accuracy.

Findings: No exceptions were found as a result of this procedure.

- 3) Obtain 2021 bank statements from BallCorps, LLC and:
 - a) Select 5 deposits for the year, obtain the deposit supporting documentation, noting the revenue source
 - b) Inquire with BallCorps, LLC as to whether the deposit is non-baseball event related
 - c) If it is non-baseball event related, trace to the Summary Sheet obtained in procedure 2.

Findings: No exceptions were found as a result of this procedure.

- 4) Access the event calendar for Toyota Stadium and ensure all 2021 Non-Baseball Events on the calendar are included on the Summary Sheets.

Findings: No exceptions were found as a result of this procedure.

- 5) From the Summary Sheets, choose one event from each of the following categories:
 - a. Kid's Day Camp
 - b. Baseball Instructional Camp
 - c. Block Parties
 - d. Movie Nights
 - e. Baseball Tournaments
 - f. Christmas Spectacular

Findings: No exceptions were found as a result of this procedure. The events chosen consisted of:

- a. Kid's Day Camp – June 21-25
- b. Baseball Instructional Camp – July 28-29
- c. Block Parties – September 11 (Tribute Night)
- d. Movie Nights – July 17th movie night
- e. Baseball Tournaments – SWAC – May 18-23
- f. Christmas Spectacular – November 12th through January 1st

- 6) From the One-Time Events category, choose all events with net profits over \$20,000 and 3 events with net profits under \$20,000.

Findings: No exceptions were found as a result of this procedure. The events chosen with net profits over \$20,000 were: Big 'Ol Ballpark Fair; FCA; and July 4th Celebration. The events chosen with net profits under \$20,000 were: Parsons; Hometown Lenders; and Gage Banks Wedding.

- 7) For the events chosen for testing:
- Obtain a detail of revenues, foot and agree to the Summary Sheets.
 - Using professional judgment, choose individual revenue items and agree to bank statements.
 - Obtain a detail of expenses, foot and agree to the Summary Sheets.
 - Using professional judgment, choose individual expense items and agree to supporting documentation (invoice, purchase order, payroll records, etc.) and bank statements.

Findings: We selected an individual revenue item from the July 17, 2021 Movie Night for credit card sales and noted the amount from the detail supporting the Summary Sheets was \$2,118.36. The amount of the related deposits indicated in the general ledger was \$2,301.33. The amount of the related deposit in the bank statement was \$2,204.10.

No other exceptions were found as a result of this procedure.

- 8) Obtain a copy of the support for the four equal installments of \$62,500 for the Base License Fees.

Findings: No exceptions were found as a result of this procedure.

- 9) Performance License Fees –
- Obtain the total announced baseball game attendance as reported to Minor League Baseball for the entire 2021 baseball season and note the amount.
 - If the amount of attendance noted in the previous step is in excess of 250,000, recalculate the amount of performance license fees owed to the City using the following formula:
$$(\text{Total season's announced baseball attendance less } 250,000) \times \$1$$
 - Obtain proof of payment to the City for the amount calculated in the previous step and trace to the bank statement.
 - Obtain the season's total tickets scanned and total tickets sold from the ticketing system.
 - Compare the season's announced game attendance, tickets sold and tickets scanned.

Findings: No exceptions were found as a result of this procedure.

- 10) Parking Revenue – obtain summary sheets of all non-baseball events. Select 10 events and agree parking revenue to supporting cash receipts and bank statements.

Findings: No exceptions were found as a result of this procedure.

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We make no representations regarding the sufficiency of the procedures performed relating to the requirements of any other person. Warren Averett's client is the City only, and no other reader acquires any rights as a result of gaining access to this report and acknowledges that Warren Averett does not assume any duties or obligation as a result of such access having been provided by any party. By reading this report, any other reader agrees to release, indemnify and hold Warren Averett, affiliates, members, employees and agents harmless for and against any claim asserted by such reader or by any other party having received the report or information relating to the report from or through such unauthorized reader, including attorneys' fees, costs and expenses. Further, any unauthorized reader agrees to not use this report or our firm's name in a published document.

Warren Averett, LLC

Huntsville, Alabama
March 28, 2022