

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' REPORT

Village President and Board of Trustees
Village of Schaumburg

We have performed the procedures enumerated below to the accounting records of Schaumburg Professional Baseball, LLC (the "Flyers") for the year ended September 30, 2004, which were agreed to by management of the Village of Schaumburg, solely to provide assistance in evaluating the Flyers' compliance with selected terms of the permit and operating agreement of the Schaumburg Baseball Stadium (the "facility"). This agreed-upon procedures engagement was conducted in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the management of the Village of Schaumburg. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report includes all exceptions, except those that are clearly inconsequential. The effects of the reported exceptions are included in Attachment A, "Schaumburg Flyers calculation of club payments to the Village". Our procedures and the associated findings are as follows:

- 1) We determined, by inquiry, that the agreement is a permit and operating agreement. The length of the agreement is May 15, 1999, through September 30, 1999, and the fifteen years ending September 30 thereafter through 2014, with options for three 5-year extensions.
- 2) We were to obtain and review the Flyers' calculation of club payments to the Village of Schaumburg. Before we reviewed the calculation, we performed the following procedures:
 - a) We determined that a balanced general ledger is maintained and included detail postings for each of the significant revenues of the Flyers.

No exceptions noted.

- b) We agreed a sample of ticket revenue for baseball game full season and flex plan ticket sales from the general ledger to the season ticket or flex plan contract, then selected a sample of season or flex plan ticket holders and traced their purchases to the general ledger.

No exceptions noted.

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- c) We traced a sample of revenues for baseball game suite rentals from the general ledger to the suite contract, then traced a sample from the contracts to the general ledger, noting that all suites are accounted for as either sold or available for individual games.

No exceptions noted.

- d) We traced a sample of general ledger postings for single baseball game sales to daily game reports, then selected a sample of dates from the team game schedule and agreed the daily game reports for the days selected to the general ledger.

There were several exceptions noted in our testing. For all items selected for testing, revenue for single baseball game sales per the general ledger was 0.7% lower than the daily game reports. Management indicated that the differences may be attributable to upgrades and refunds, which are not reflected on the daily game reports.

- e) We traced a sample of revenues for various types of advertising, including signage, print and broadcast from the general ledger to the contract, and then traced a sample of contracts to the general ledger.

No exceptions noted.

- f) We agreed a sample of general ledger postings for net food and beverage revenue to receipts from an independent party, and then traced a sample of the deposits to the general ledger.

No exceptions noted.

- g) We performed the following for net merchandise and novelties:

1. Traced a sample of inventory items to the invoices' costs of those items, noting gross profit.

The inventory detail for four of four items tested did not agree to the invoices. However, the total overstatement in inventory for the differences was \$12.93, which was a percentage difference of 0.7%. Such differences do not materially affect the inventory valuation.

2. Compared the sales price of the selected inventory items to the verified cost of those items, noting gross profit.

No exceptions noted.

3. We computed or obtained the overall gross profit for merchandise and novelties, noting reasonableness.

The overall gross profit for merchandise for this year was 30% (it was 30% for 2003). The 30% is in line with our expectations, compared to the testing above in 2)g)2. and appears reasonable in comparison to the prior year.

4. We agreed the general ledger balance for year-end merchandise inventory to detailed inventory sheets.

No exceptions noted.

5. We agreed the direct labor related to merchandise sales to the payroll documentation.

No exceptions noted.

- 3) We documented explanations for any exempted revenues or other adjustments to revenues from the general ledger balances.

Exempted revenues and other adjustments include the following:

- a) *Trades. The Flyers do not include trades or bartered goods and services as revenues and expenses. However, accounting principles generally accepted in the United States of America require that grossed up revenues and expenses be recorded to reflect these transactions.*

The amount of trades for 2004 was \$54,850, as identified by the Flyers. Since the Flyers do not track this amount in the general ledger, this amount was obtained by inquiring if there were any trades, and the Flyers provided us a schedule that represented trades.

- b) *Allowance for Uncollectible Receivables. The Flyers have exempted \$3,031 of revenues that are in excess of 120 days past due and that are doubtful of collection. The use of an allowance for doubtful collection is in accordance with accounting principles generally accepted in the United States of America. However, this accounting treatment is not specified in the permit and operating agreement.*

- c) *Other revenue that was considered exempt from the club payments includes charitable donations of \$3,765, VIP parking revenue of \$4,600 (this amount is not subject to the 10% calculation) and Northern League expansion fees of \$190,000.*

4) We performed an overall reasonableness test for baseball ticket sales, using paid attendance statistics and average ticket price. The overall average price for tickets was \$6.37, which appears reasonable compared to \$6.27 for the prior year. The ticket revenue increased approximately \$1,000 (or 0.8%), which is consistent with the number of tickets sold between the years.

5) We inquired about and reported on the values of traded/bartered/complimentary revenue activity.

See comments regarding trades in section 3)a).

6) We determined through inquiry the following:

a) *The Flyers continued to provide concessions and to serve as General Manager of the facility.*

b) *The Flyers sold and controlled ticket sales for Flyers-sponsored events.*

c) *The Flyers was exclusive concessionaire of the facility.*

d) *The Flyers received all broadcast rights and revenues for Flyers events and the Village received the same for any and all Village events.*

e) *The Flyers played all home baseball games at the facility.*

f) *The Flyers are responsible for repair and maintenance of facility, defined as ordinary and recurring, or less than \$1,500. The Flyers have represented that the facility is in good condition and the Flyers are unaware of significant damage or disrepair.*

7) We inquired as to the status of the naming rights, which are the possession of the Village, of which 20% of the revenues from the sale of the rights are to be paid to the Flyers.

The Village receives its portion directly from Alexian Brothers.

8) We reviewed insurance policies to determine that the Flyers have maintained insurance coverage as follows: \$1,000,000 workers' compensation and comprehensive and general of \$5,000,000/occurrence and that the Village and the Park District are named as an additional insureds for the comprehensive general liability.

All insurance requirements appear to be met.

9) We scanned the general ledger detail for all accounts, looking for large or unusual activity or adjustments, and obtained explanations for such activity or adjustments.

We obtained adequate explanations for all requested items.

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- 10) We compared the current balances for all accounts to the prior year, noting large or unusual variances, and obtained explanations for such variances.

We obtained adequate explanations for all requested items.

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

This report is intended solely for the information and use of the Village President, Board of Trustees and the management of the Village of Schaumburg and the Schaumburg Park District and is not intended to be and should not be used by anyone other than these specified parties.

MILLER COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Northbrook, Illinois
January 14, 2005

Village of Schaumburg
 Calculation of Club payments to the Village
 For the year ended September 30, 2004

	Flyers	MCC
Total gross revenue	\$ 3,102,941	\$ 3,102,941
Add: barter/traded goods	54,850	54,850
Less: barter/traded goods (max \$100,000)	(54,850)	(54,850)
Less: charitable donations	(3,765)	(3,765)
Exempted revenue	(901,727)	(901,727)
Less : uncollectible accounts receivable	(3,031)	(3,031)
Net profit of the following net revenues:		
Mascot appearances	-	-
Baseball clinics	-	2,185
Food and beverage sales	208,185	208,185
Souvenir and merchandise sales	2,423	2,423
Special events	1,564	2,086
Stadium user fee	34,613	46,206
Winter caravan	-	-
Golf outing	-	-
Player transactions	10,750	-
Fantasy camp	-	-
Total Gross Revenue (subject to 10%)	<u>\$ 2,451,953</u>	<u>\$ 2,455,503</u>
10% of Gross Revenue	<u>\$ 245,195</u>	<u>\$ 245,550</u>
Greater of \$200,000 or 10% of Gross Revenue	\$ 245,195	\$ 245,550
Metra Parking Lot Use Fee	10,000	10,000
West Parking Lot Use Fee (\$.25 of actual attendance)	33,215	33,170
VIP Parking Fee	4,000	4,000
Departing Game Traffic Control	11,000	11,000
Picnic Sales (Greater of 6,000 or 10% of net picnic income)	<u>14,702</u>	<u>17,316</u>
Total Due to Village for the year	318,112	321,036
Amounts paid to Village from the Flyers' and Village's records		
6/1/04	50,000	50,000
7/12/04	75,000	75,000
12/10/04	<u>75,000</u>	<u>75,000</u>
Total due to the Village before interest	118,112	121,036
Interest @ 12% for unpaid balances (Interest is calculated from November 1, 2004 through January 31, 2005)	<u>3,543</u>	<u>3,631</u>
Total Due to Village	<u>\$ 121,655</u>	<u>\$ 124,667</u>

(The above amounts are based on the Flyer's trial balance and other financial records.)