

## I. EXECUTIVE SUMMARY

The Office of Public Integrity examined internal controls over ticket sales and all related revenue generated from events of the 2006 Rochester MusicFest. In general, WDKX Productions, LLC complied with the terms of the contract. Public Integrity accounted for all ticket sales, and revenue and expenses related to the event appear to have been properly reported by WDKX.

## II. BACKGROUND, OBJECTIVES AND SCOPE

### A. Assignment

City administration requested the Office of Public Integrity to examine internal controls over ticket sales and all related revenue generated from events held during the 2006 Rochester MusicFest.

### B. Background

The City contracted with WDKX Productions, LLC to plan, coordinate and implement the 2006 Rochester MusicFest held July 8 and July 9, 2006. In addition to booking and contracting all talent for the festival, coordinating the physical production aspects and marketing, WDKX was also responsible for the collection and reporting of revenue resulting from ticket sales, and food and merchandise vendors. The City, executive producer of the event, receives 100% of any profits generated from the festival.

### C. Objective And Scope

The objective of Public Integrity's participation in this event was to evaluate internal controls over ticket, food and beverage sales, to determine accountability of ticket, food and beverage sales and expenses, and to determine the reliability of the reporting methods. To accomplish this objective, we completed the following procedures:

- ◆ Using Ticketmaster and Rochester Red Wings ticket sales reports, Public Integrity recalculated revenue for each ticket price category for accuracy.
- ◆ Public Intregity recorded beginning and ending sequential numerical counts of turnstiles, located at the MusicFest entrances, for each day of the MusicFest and compared total ticket purchases and those distributed as complimentary (comps), to the turnstile counts.

- ◆ Public Integrity compared the total number of tickets distributed as comps with the list of authorized comps to ensure the contractor did not distribute unauthorized tickets.
- ◆ Public Integrity counted the number of vendors at the MusicFest for comparison with the contractor's reported number of vendors, and revenue received from them.
- ◆ We prepared the attached Comprehensive Statement of Revenue and Expenses.

### III. RESULTS OF REVIEW

Public Integrity determined that the automated ticketing systems used by Ticketmaster and the Red Wings provide reasonable reliability when reporting ticket sales. Public Integrity verified the adequacy of internal control procedures, accounted for all ticket sales, and determined that revenue and expenses related to the event appear to have been properly reported.

Attached is a copy of WDKX Productions, LLC's financial statements audited by Eldredge, Fox and Porretti, LLP. The Statement of Assets, Liabilities and Equity indicates that WDKX owes the City \$31,490. This amount has not been paid as of December 5, 2006. Additionally, the Statement of Revenues and Expenses presents a loss of \$15,857 for WDKX.

Following is a Comprehensive Statement of Revenue and Expenses for the City that includes all activity related to the MusicFest. Public Integrity prepared this statement based on data provided by the Department of Recreation and Youth Services. This statement presents a break-even situation for the 2006 MusicFest after including as revenue, \$320,287 from the MusicFest Trust Fund and City support of \$140,000. The original MusicFest budget included City support of \$200,000 from the operating fund and \$110,000 from the MusicFest Trust Fund. However, because of lower than expected ticket sales and corporate sponsorship, an additional \$150,287 from the MusicFest Trust Fund was utilized to pay for MusicFest expenses.

Comprehensive Statement of Revenues and Expense  
2006 Rochester MusicFest

Revenue and Support

Sponsorship	\$ 25,000
City support	140,000
MusicFest Trust Fund	320,287
Ticket sales	217,771
Concessions	<u>18,692</u>
 Total Revenue and Support	 <u>\$721,750</u>

General and Administrative Expenses

Administration, audit and travel	\$ 16,988
Catering	7,952
Consulting fee	30,000
Licensing	1,673
Management fees - outside services	48,459
Management fees - WDKX Production, LLC	30,000
Marketing and public relations	61,124
Printing	5,163
Site costs	143,279
Site staff	12,074
Suite catering	10,265
Talent	370,630
Expenses paid by WDKX *	<u>(15,857)</u>
 Total general and administrative expenses	 <u>\$721,750</u>

Profit/Loss	<u><u>\$ 0</u></u>
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\* Per contract, the maximum allowable expense reimbursements to WDKX is \$721,750. Therefore, WDKX was liable for any expenses in excess of this amount. The amount of expenses that exceed \$721,750 is \$15,857.

**WDKX PRODUCTIONS, LLC**  
**2006 ROCHESTER MUSICFEST**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2006**

WDKX PRODUCTIONS, LLC  
2006 ROCHESTER MUSICFEST

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To the Stockholder  
WDKX Productions, LLC  
2006 Rochester MusicFest  
Rochester, New York

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statement of assets, liabilities and equity of the 2006 Rochester MusicFest, managed by WDKX Productions, LLC, as of August 31, 2006 and the related statement of revenues and expenses for the period from May 12, 2006 (date of signed agreement) to August 31, 2006. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of assets, liabilities and equity and the related statement of revenues and expenses 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 the statement of assets, liabilities and equity and the related statement of revenues and expenses for the 2006 Rochester MusicFest are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of assets, liabilities and equity and the related statement of revenues and expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were prepared to present the assets, liabilities and equity, and the related revenues and expenses of the 2006 Rochester MusicFest as managed by WDKX Productions, LLC, pursuant to the contractual agreement as described in Note 1, and is not intended to be a complete presentation of the Company.

In our opinion, the accompanying statement of assets, liabilities and equity and the related statement of revenues and expenses present fairly, in all material respects, the financial position of the 2006 Rochester MusicFest, as managed by WDKX Production, LLC as of August 31, 2006, and the results of its operations for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the City of Rochester and management of WDKX Productions, LLC and is not intended to be and should not be used by anyone other than these specified parties.

*Eldredge, Fox & Porretti, LLP*

Rochester, New York  
September 15, 2006

**WDKX PRODUCTIONS, LLC - ROCHESTER MUSICFEST 2006****Statement Of Assets, Liabilities And Equity****August 31, 2006**

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	<b>ASSETS</b>	<b>August 31</b>
		<b><u>2006</u></b>
<i>Assets:</i>		
Cash		\$ 20,019
Due from WDKX Productions, LLC		<u>22,680</u>
<i>Total</i>		<u>\$ 42,699</u>
 <b>LIABILITIES AND EQUITY</b>		
<i>Liabilities:</i>		
Accounts payable		\$ 11,209
Due to the City of Rochester		<u>31,490</u>
Total liabilities		<u>42,699</u>
<i>Equity:</i>		
Capital contributed by WDKX Productions, LLC		<u>15,857</u>
Net loss on the project		<u>(15,857)</u>
Total equity		<u>- 0 -</u>
<i>Total</i>		<u>\$ 42,699</u>

*The accompanying notes are an integral part of these financial statements.*

WDKX PRODUCTIONS, LLC - ROCHESTER MUSICFEST 2006

Statement Of Revenues And Expenses  
For Project Activity Ended August 31, 2006

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August 31  
2006

*Revenues:*

City of Rochester - contribution, net reimbursement	\$ 485,287
Event ticket sales, net cost of sales	217,771
Turnstile fee	8,989
Vendor fees, net refunds	9,703
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Total revenues	721,750
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*General and Administrative Expenses:*

Administration, audit and travel	16,988
Catering	7,952
Consulting fee	30,000
Licensing	1,673
Management fees - outside services	48,459
Management fees - WDKX Production, LLC	30,000
Marketing and public relations	61,124
Printing	5,163
Site costs	143,279
Site staff	12,074
Suite catering	10,265
Talent	370,630
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Total general and administrative expenses	737,607
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*Net Loss for the Period*

\$ (15,857)

*The accompanying notes are an integral part of these financial statements.*



**WDKX PRODUCTIONS, LLC**  
**2006 Rochester MusicFest**  
**Notes To Financial Statements**

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**Note 1. Summary of Significant Accounting Policies:**

Business Activity - WDKX Productions, LLC (the "Company") served as professional consultant for the 2006 Rochester MusicFest ("the Project") providing the following: site coordination and management, administrative coordination, marketing and public relations, food and merchandise vendor management, and booking of national and local talent.

Basis of Presentation - The Company prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recorded when services are provided, or as products are sold. Expenses are recorded when merchandise is received or services rendered. The Company received part of its income for the festival directly from the City of Rochester with authorized invoices, as required, and the balance of its income directly from ticket sales outlets and participating vendors.

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 reporting period. Actual results could differ from those estimates.

Management Fees - The agreed upon consulting fee and advertising agency fee both equaling \$30,000, between the City of Rochester and the Company, were expensed in these financial statements and included consulting and management fees - WDKX Productions, LLC, respectively.

Time Period of the Audit - The term of the contract signed by the Company and the City of Rochester covered the period of May 12, 2006 until November 30, 2006 with an option to extend for an additional two years. This audit report, regarding the aforementioned Project, covers the period of May 12, 2006 through August 31, 2006, the selected closing date of the Consultant with regards to this year's Project.

**Note 2. Revenue Detail:**

Items Paid Directly to WDKX Productions, LLC - All receipts of funds from outside sources other than sponsorship were submitted directly to the Company and therefore are reflected in these financial statements. These total fees with regards to this year's Project, contracted by the Company, and paid directly to the Company, net of related expenses are as follows:

Event ticket sales	\$	217,771
Turnstile fee		8,989
Vendor fees		<u>9,703</u>
Total	\$	<u><u>236,463</u></u>