FINANCIAL AUDIT
OF THE

MICHIGAN STATE FAIR AND EXPOSITION CENTER

DEPARTMENT OF AGRICULTURE

October 1, 2001 through September 30, 2002

79-305-03

Michigan

Office of the Auditor General

REPORT SUMMARY

Financial Audit

Michigan State Fair and Exposition Center
Department of Agriculture

Fiscal Year Ended September 30, 2002

Report Number:
79-305-03

Released:
September 2003

A financial audit determines if the financial schedules are fairly presented; considers internal control over financial reporting; and determines compliance with State compliance requirements material to the financial schedules. This financial audit of the Michigan State Fair and Exposition Center (MSFEC) was conducted as part of the constitutional responsibility of the Office of the Auditor General.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on MSFEC's financial schedules.

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Internal Control Over Financial Reporting

We did not identify any material weaknesses in internal control over financial reporting.

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Noncompliance Material to the Financial Schedules

We did not identify any instances of noncompliance applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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Background:

Act 361, P.A. 1978 (Sections 285.161 - 285.176 of the *Michigan Compiled Laws*), created MSFEC. The Department of Agriculture has the responsibility of conducting an annual Michigan State Fair and other exhibits or events for the purpose of promoting all phases of the economy of the State. The fairgrounds consist of approximately 200 acres located in Detroit. The 2002 Michigan State Fair was held August 20, 2002 through September 2, 2002. The Fair's reported paid attendance was 307,877.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/

Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

James S. Neubecker, C.P.A., C.I.A., D.P.A.
Executive Deputy Auditor General

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

September 17, 2003

Ms. Nora M. Viau, Chairperson
Commission of Agriculture
and
Mr. Dan Wyant, Director
Department of Agriculture
Constitution Hall
Lansing, Michigan

Dear Ms. Viau and Mr. Wyant:

This is our report on the financial audit of the Michigan State Fair and Exposition Center, Department of Agriculture, for the period October 1, 2001 through September 30, 2002.

This report contains our report summary; our independent auditor's report on the financial schedules; and the Michigan State Fair and Exposition Center financial schedules, notes to the financial schedules, and supplemental financial schedules. This report also contains our independent auditor's report on compliance and on internal control over financial reporting and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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TABLE OF CONTENTS

MICHIGAN STATE FAIR AND EXPOSITION CENTER
DEPARTMENT OF AGRICULTURE

	Page
INTRODUCTION	
Report Summary	1
Report Letter	3
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL SCHEDULES	
Independent Auditor's Report on the Financial Schedules	6
Michigan State Fair and Exposition Center Financial Schedules	
Schedule of General Fund Revenues	8
Schedule of Sources and Disposition of General Fund Authorizations	9
Notes to the Financial Schedules	10
SUPPLEMENTAL FINANCIAL SCHEDULES	
Schedule of General Fund Revenues by Source	13
Schedule of General Fund Expenditures and Transfers Out	14
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting	15
GLOSSARY	
Glossary of Acronyms and Terms	17

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on
the Financial Schedules

May 14, 2003

Ms. Nora M. Viau, Chairperson
Commission of Agriculture
and
Mr. Dan Wyant, Director
Department of Agriculture
Constitution Hall
Lansing, Michigan

Dear Ms. Viau and Mr. Wyant:

We have audited the financial schedules of the Michigan State Fair and Exposition Center, Department of Agriculture, for the fiscal year ended September 30, 2002, as identified in the table of contents. These financial schedules are the responsibility of the Michigan State Fair and Exposition Center's management and the Department's management. Our responsibility is to express an opinion on these financial schedules 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 schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the financial schedules present only the revenues and the sources and disposition of authorizations for the Michigan State Fair and Exposition Center's General Fund accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these

financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Michigan State Fair and Exposition Center or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and the sources and disposition of authorizations of the Michigan State Fair and Exposition Center for the fiscal year ended September 30, 2002, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2003 on our tests of the Michigan State Fair and Exposition Center's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The supplemental financial schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the Michigan State Fair and Exposition Center's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

Thomas H. McTavish

Thomas H. McTavish, C.P.A.
Auditor General

MICHIGAN STATE FAIR AND EXPOSITION CENTER
Department of Agriculture
Schedule of General Fund Revenues
Fiscal Year Ended September 30, 2002

REVENUES	
Miscellaneous revenues:	
Fair revenue	$ 4,721,000
Non-Fair revenue	147,515
Total Revenues	$ 4,868,516

The accompanying notes are an integral part of the financial schedules.

MICHIGAN STATE FAIR AND EXPOSITION CENTER
Department of Agriculture
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Year Ended September 30, 2002

SOURCES OF AUTHORIZATIONS (Note 2)	
Balances carried forward	$ 84,700
Restricted financing sources	4,868,516
Total	$ 4,953,215
DISPOSITION OF AUTHORIZATIONS (Note 2)	
Expenditures and transfers out	$ 4,868,380
Restricted revenues - not authorized	84,836
Total	$ 4,953,215

The accompanying notes are an integral part of the financial schedules.

Notes to the Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Michigan State Fair and Exposition Center (MSFEC), Department of Agriculture, for the fiscal year ended September 30, 2002. The financial transactions of MSFEC are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR).*

Act 361, P.A. 1978 (Sections 285.161 - 285.176 of the *Michigan Compiled Laws*), created MSFEC. The Department of Agriculture has the responsibility of conducting an annual Michigan State Fair and other exhibits or events for the purpose of promoting all phases of the economy of the State. The fairgrounds consist of approximately 200 acres located in Detroit. The 2002 Michigan State Fair was held August 20, 2002 through September 2, 2002. The Fair's reported paid attendance was 307,877.

The notes accompanying these financial schedules relate directly to MSFEC. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies; Budgeting, Budgetary Control, and Legal Compliance; and Pension Benefits and Other Postemployment Benefits.

b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by generally accepted accounting principles applicable to governments. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred;

however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules include only the revenues and the sources and disposition of authorizations for MSFEC's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either MSFEC or the State's General Fund in accordance with generally accepted accounting principles.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

a. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized.

b. Restricted revenues - not authorized: Revenues that, by statute, are restricted for use to a particular program or activity. However, MSFEC had not received legislative authorization to expend the revenues.

SUPPLEMENTAL
FINANCIAL SCHEDULES

MICHIGAN STATE FAIR AND EXPOSITION CENTER
Department of Agriculture
Schedule of General Fund Revenues by Source
Fiscal Year Ended September 30, 2002

REVENUES	
Fair Revenue:	
Gate admissions	$ 1,681,952
Parking	329,169
Midway rides and games	1,020,873
Merchandise sales	43,978
Vendor space	465,172
Sponsorship	792,290
Premiums	214,045
Stickers and passes/entry and stall fees	168,303
Miscellaneous	5,226
Total Fair Revenue	$ 4,721,000
Non-Fair Revenue:	
Gate admissions	$ 8,802
Parking and camping	47,004
Rentals - buildings and grounds	150
Sponsorship	70,603
Maintenance, janitorial, and utilities	18,879
Commissions on concessions	1,228
Miscellaneous revenue	849
Total Non-Fair Revenue	$ 147,515
Total Revenues	$ 4,868,516

MICHIGAN STATE FAIR AND EXPOSITION CENTER
Department of Agriculture
Schedule of General Fund Expenditures and Transfers Out
Fiscal Year Ended September 30, 2002

EXPENDITURES AND TRANSFERS OUT	
Administration and manager's office	$ 1,543,584
Entertainment	1,026,651
Buildings and grounds maintenance	970,577
Agriculture and livestock	683,852
Security	349,326
Community arts	128,557
Director	73,000
Spring Horse Show	57,595
Write-off of prior year receivable	35,239
Total Expenditures and Transfers Out	$ 4,868,380

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

May 14, 2003

Ms. Nora M. Viau, Chairperson
Commission of Agriculture
and
Mr. Dan Wyant, Director
Department of Agriculture
Constitution Hall
Lansing, Michigan

Dear Ms. Viau and Mr. Wyant:

We have audited the financial schedules of the Michigan State Fair and Exposition Center, Department of Agriculture, for the fiscal year ended September 30, 2002, as identified in the table of contents, and have issued our report thereon dated May 14, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Michigan State Fair and Exposition Center's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Michigan State Fair and Exposition Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Department of Agriculture, the State's management, and the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Glossary of Acronyms and Terms

financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
internal control	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.
material weakness	A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
MSFEC	Michigan State Fair and Exposition Center.
reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements.

SOMCAFR *State of Michigan Comprehensive Annual Financial Report.*

unqualified opinion An auditor's opinion in which the auditor states that:

a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or

b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing this “in relation to” opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the financial schedules taken by themselves.