



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



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

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:

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Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

Michigan Exposition and Fairgrounds Authority
(A Discretely Presented Component Unit of the State of Michigan)
Fiscal Year Ended September 30, 2009

Report Number:
071-0305-10

Released:
December 2009

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

Financial Statements:

Auditor's Report Issued

We issued an unqualified opinion on MEFA's financial statements.

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Internal Control Over Financial Reporting and on Compliance and Other Matters

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of MEFA'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.

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Background:

Act 468, P.A. 2004, created MEFA to provide for the control and management of certain State exposition centers and fairgrounds. MEFA incurred expenses pursuant to appropriation of the Legislature in the following order of priority: (1) providing an annual State Fair; (2) maintaining the State exposition and fairgrounds; and (3) accomplishing any

other purpose authorized by the Act. MEFA was governed by an 11-member board of directors that consisted of the director of the Department of Management and Budget (DMB), the director of the Michigan Department of Agriculture, and 9 members appointed by the Governor with the advice and consent of the Senate. The MEFA general manager was responsible for administering MEFA's financial operations.

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Abolishment of the Michigan Exposition and Fairgrounds Authority

On February 12, 2009, Governor Granholm issued Executive Order No. 2009-4 transferring the functions of MEFA and the position of general manager of MEFA to DMB and abolishing MEFA and the position of general manager of MEFA. The Executive Order was effective October 1, 2009.

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

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Deputy Auditor General



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

December 23, 2009

Ms. Lisa Webb Sharpe, Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Ms. Webb Sharpe:

This is our report on the financial audit of the Michigan Exposition and Fairgrounds Authority (MEFA), a discretely presented component unit of the State of Michigan, for the period October 1, 2008 through September 30, 2009.

This report contains our report summary, our independent auditor's report on the financial statements, the MEFA management's discussion and analysis, the MEFA financial statements and supplemental financial schedule, and a glossary of acronyms and terms.

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

AUDITOR GENERAL

TABLE OF CONTENTS

MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report on the Financial Statements	8
MANAGEMENT'S DISCUSSION AND ANALYSIS	
Management's Discussion and Analysis	11
FINANCIAL STATEMENTS	
Michigan Exposition and Fairgrounds Authority Financial Statements	
Statement of Net Assets	16
Statement of Revenues, Expenses, and Changes in Net Assets	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
SUPPLEMENTAL FINANCIAL SCHEDULE	
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual	27

GLOSSARY

Glossary of Acronyms and Terms

29

INDEPENDENT AUDITOR'S REPORT



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

Independent Auditor's Report on the Financial Statements

Ms. Lisa Webb Sharpe, Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Ms. Webb Sharpe:

We have audited the accompanying financial statements of the Michigan Exposition and Fairgrounds Authority, a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2009, as identified in the table of contents. These financial statements are the responsibility of the Michigan Exposition and Fairgrounds Authority's 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 the 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 described in Note 1, the financial statements present only the Michigan Exposition and Fairgrounds Authority and do not purport to, and do not, present fairly the financial position of the State of Michigan or its component units as of September 30, 2009 and the changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Michigan Exposition and Fairgrounds Authority as of September 30, 2009 and the changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, Executive Order No. 2009-4 abolished the Michigan Exposition and Fairgrounds Authority effective October 1, 2009.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the Michigan Exposition and Fairgrounds Authority'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 audit.

The management's discussion and analysis on pages 11 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The schedule of revenues, expenses, and changes in net assets - budget and actual is presented for purposes of additional analysis and is not a required part of the Michigan Exposition and Fairgrounds Authority's financial statements referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

AUDITOR GENERAL

December 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is a discussion and analysis of the financial performance of the Michigan Exposition and Fairgrounds Authority (MEFA) for the period October 1, 2008 through September 30, 2009. MEFA's management is responsible for the financial statements, notes to the financial statements, and this discussion.

Using the Financial Report

This financial report includes the report of independent auditors, management's discussion and analysis, the basic financial statements, notes to the financial statements, and one supplemental financial schedule.

The reporting standards in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, require a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. These financial statements are interrelated and represent the financial status of MEFA.

The statement of net assets includes the assets, liabilities, and net assets at the end of the fiscal year.

The statement of revenues, expenses, and changes in net assets presents the revenues earned and expenses incurred during the year.

The statement of cash flows presents information related to cash in-flows and out-flows summarized by operating, noncapital and related financing, and investing activities.

Analysis of Financial Activities

On February 12, 2009, Governor Granholm issued Executive Order No. 2009-4 transferring the functions of MEFA and the position of general manager of MEFA to the Department of Management and Budget (DMB) and abolishing MEFA and the position of general manager of MEFA. The Executive Order was effective October 1, 2009. Subsequent to the abolishment of MEFA, DMB will administer the leases discussed in Notes 4, 5, and 6.

The MEFA general manager administered the business operations of MEFA and served at the pleasure of the Governor. The MEFA general manager developed and presented to the MEFA Board of Directors for its approval, a financial plan submitted annually; a rolling 5-year operations plan submitted annually; and a facility and utility construction

plan, including a master plan for the use of buildings and the fairgrounds, as requested by the MEFA Board of Directors. MEFA reported to the director of the Department of Management and Budget, the Legislature, and the Governor on the operating budget, capital improvements, programs, exhibits, and other matters relevant to the State exposition and fairgrounds.

MEFA was responsible for: (1) conducting an annual State Fair; (2) leasing the State exposition and fairgrounds and its buildings for purposes considered to be consistent with staging of the State Fair; and (3) entering into contracts to conduct the State Fair, exhibits, and other events at the State exposition and fairgrounds.

Condensed Financial Information
From the Statement of Net Assets
As of September 30

	<u>2009</u>	<u>2008</u>
Current assets	\$1,666,087	\$1,516,083
Capital assets	7,290,482	7,619,663
Total assets	<u>\$8,956,569</u>	<u>\$9,135,746</u>
Current liabilities	\$1,625,087	\$1,531,266
Noncurrent liabilities		101,561
Total liabilities	<u>\$1,625,087</u>	<u>\$1,632,827</u>
Net assets		
Invested in capital assets	\$7,290,482	\$7,619,663
Unrestricted	41,000	(116,743)
Total net assets	<u>\$7,331,482</u>	<u>\$7,502,919</u>

Current assets consist primarily of equity in common cash and accounts receivable from sponsors, vendors, and non-Fair lease agreements. Current assets increased approximately \$150,000 in fiscal year 2008-09 primarily because of a payment from the State of Michigan that was partially offset by a decrease in accounts receivable net of allowances.

Capital assets are land, buildings, and equipment, net of accumulated depreciation. Capital assets decreased approximately \$336,000 in fiscal year 2008-09 because of depreciation expense.

Current liabilities primarily consist of warrants outstanding and accounts payable to suppliers and contractors associated with annual State Fair operations. Current liabilities increased approximately \$94,000 in fiscal year 2008-09 primarily because of an increase in payroll expenses and related liabilities at year-end.

Noncurrent liabilities in fiscal year 2007-08 are the noncurrent portion of compensated absences.

Overall, **net assets** were reduced by approximately \$171,000 during fiscal year 2008-09 as a result of the preceding activities.

Condensed Financial Information
From the Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended September 30

	2009	2008
Operating revenues		
Fair revenues	\$ 2,957,618	\$3,387,498
Non-Fair revenues	468,505	614,067
Total operating revenues	<u>\$ 3,426,123</u>	<u>\$4,001,565</u>
Operating expenses	\$ 5,224,616	\$4,962,340
Total operating expenses	<u>\$ 5,224,616</u>	<u>\$4,962,340</u>
Operating loss	\$ (1,798,493)	\$ (960,775)
Nonoperating revenues (expenses)	1,627,056	631,594
Change in net assets	\$ (171,437)	\$ (329,181)
Total net assets - Beginning of fiscal year	<u>7,502,919</u>	<u>7,832,100</u>
Total net assets - End of fiscal year	<u><u>\$ 7,331,482</u></u>	<u><u>\$7,502,919</u></u>

Fair revenues decreased by approximately \$430,000 during fiscal year 2008-09 because of a decrease in sponsorships and premium reimbursements.

Non-Fair revenues decreased by approximately \$146,000 during fiscal year 2008-09 because of a reduction in building rental revenue and parking revenue.

Operating expenses increased by approximately \$262,000 during fiscal year 2008-09 because of increases in Fair expenses.

Nonoperating revenues (expenses) increased by approximately \$995,000 because of an increased payment received from the State of Michigan.

The **operating loss** and **change in net assets** reflect the effect of MEFA's operations for the fiscal year as a result of insufficient revenues to support expenses, including depreciation expense of \$329,181 for each of the fiscal years 2008-09 and 2007-08.

FINANCIAL STATEMENTS

MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY
Statement of Net Assets
As of September 30, 2009

ASSETS

Current assets:	
Cash	\$ 5,705
Equity in common cash	1,572,035
Accounts receivable, net of allowance for doubtful accounts, and other current assets	<u>88,347</u>
Total current assets	<u>\$ 1,666,087</u>
Capital assets (Notes 2 and 5):	
Land and other nondepreciable assets	\$ 3,360,000
Buildings, equipment, and other depreciable assets	12,338,642
Less accumulated depreciation	<u>(8,408,160)</u>
Total capital assets	<u>\$ 7,290,482</u>
Total assets	<u>\$ 8,956,569</u>

LIABILITIES

Current liabilities:	
Warrants outstanding	\$ 29,227
Accounts payable and other liabilities	1,541,047
Current portion of other long-term obligations (Note 3)	<u>54,813</u>
Total current liabilities	<u>\$ 1,625,087</u>
Noncurrent liabilities:	
Noncurrent portion of other long-term obligations (Note 3)	<u>0</u>
Total liabilities	<u>\$ 1,625,087</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 7,290,482
Unrestricted	<u>41,000</u>
Total net assets	<u><u>\$ 7,331,482</u></u>

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

MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended September 30, 2009

OPERATING REVENUES

Fair revenues		
Gate admissions	\$	1,089,146
Parking		264,405
Midway		1,006,198
Merchandise		28,862
Concessions		6,168
Vendor space rental		249,705
Entry fees		109,795
Sponsorship		187,407
Miscellaneous		15,934
Total Fair revenues	<u>\$</u>	<u>2,957,618</u>
 Non-Fair revenues		
Gate admissions	\$	30,420
Parking		50,901
Concessions		12,452
Grounds rental		7,500
Buildings rental (Notes 4, 5, and 6)		339,401
Miscellaneous		27,831
Total non-Fair revenues	<u>\$</u>	<u>468,505</u>
Total operating revenues	<u>\$</u>	<u>3,426,123</u>

OPERATING EXPENSES

Administration	\$	1,031,937
Building and grounds maintenance and security		1,139,693
Agriculture and Livestock Division		437,881
Community Arts Division		100,047
Grounds entertainment		399,109
Professional entertainment		229,879
Fair expenses		1,556,889
Depreciation		329,181
Total operating expenses	<u>\$</u>	<u>5,224,616</u>
 Operating loss	<u>\$</u>	<u>(1,798,493)</u>

NONOPERATING REVENUES (EXPENSES)

Payment from State of Michigan	\$	1,623,699
Interest revenue		5,032
Interest expense		(1,675)
Total nonoperating revenues (expenses)	<u>\$</u>	<u>1,627,056</u>
 Change in net assets	\$	(171,437)
 Total net assets - Beginning of fiscal year		<u>7,502,919</u>
 Total net assets - End of fiscal year	<u>\$</u>	<u>7,331,482</u>

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

MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,566,739
Payments to employees	(1,172,720)
Payments to suppliers	(3,346,294)
Claims paid	(77,401)
Net cash provided (used) by operating activities	<u>\$ (1,029,676)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Loans or loan repayments to other funds	\$ (3,500)
Payment from State of Michigan	1,623,699
Net cash provided (used) by noncapital and related financing activities	<u>\$ 1,620,199</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	\$ 3,357
Net cash provided (used) by investing activities	<u>\$ 3,357</u>
Net cash provided (used) - All activities	\$ 593,880
Cash and cash equivalents - Beginning of fiscal year	<u>954,633</u>
Cash and cash equivalents - End of fiscal year	<u>\$ 1,548,513</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Per statement of net assets classifications:	
Cash	\$ 5,705
Equity in common cash	1,572,035
Warrants outstanding	<u>(29,227)</u>
Cash and cash equivalents - End of fiscal year	<u>\$ 1,548,513</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (1,798,493)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	329,181
Changes in assets and liabilities:	
Accounts receivable and other assets (net)	282,366
Accounts payable and other liabilities	<u>157,272</u>
Net cash provided (used) by operating activities	<u>\$ (1,029,676)</u>

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

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies

The accounting policies of the Michigan Exposition and Fairgrounds Authority (MEFA) 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 policies:

a. Reporting Entity

Act 468, P.A. 2004, created MEFA to provide for the control and management of certain State exposition centers and fairgrounds. The statute transferred the management of the State exposition and fairgrounds from the Michigan Department of Agriculture to MEFA, effective March 1, 2005. MEFA is a public body corporate within the Department of Management and Budget (DMB).

Act 468, P.A. 2004, states that MEFA shall incur expenses pursuant to appropriation of the Legislature in the following order of priority: (1) providing an annual State Fair; (2) maintaining the State exposition and fairgrounds; and (3) accomplishing any other purpose authorized by the Act.

MEFA was governed by an 11-member board of directors that consisted of the DMB director, the director of the Michigan Department of Agriculture, and 9 members appointed by the Governor with the advice and consent of the Senate. The MEFA general manager was responsible for administering MEFA's financial operations, was appointed by the Governor with the advice and consent of the Senate, and served at the pleasure of the Governor.

MEFA is a discretely presented component unit of the financial reporting entity of the State of Michigan. The decision to include a potential component unit in the reporting entity is made by applying criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic criteria include the appointment of a voting majority of the governing board of MEFA; the legal separation of the State and MEFA; the fiscal independence of MEFA; whether exclusion of the unit would make the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)* misleading; and whether there is a potential

for MEFA to provide specific financial benefits to, or impose financial burdens on, the State.

As discussed in Note 10 to the financial statements, Executive Order No. 2009-4 abolished the Michigan Exposition and Fairgrounds Authority effective October 1, 2009.

b. Measurement Focus and Basis of Accounting

MEFA is a proprietary fund. Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. Using this basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of cash flows. Operating revenues and expenses generally result from providing services to the public. All financial resources and obligations of a fund, whether current or noncurrent, are recorded in the fund. The accounting objectives are a determination of net income, financial position, and cash flow. MEFA followed all GASB pronouncements and those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The FASB pronouncements issued after November 30, 1989 were not followed in the preparation of the accompanying financial statements.

The accompanying financial statements present only MEFA. Accordingly, they do not purport to, and do not, present fairly the financial position and the changes in financial position and cash flows of the State of Michigan or its component units in conformity with accounting principles generally accepted in the United States of America.

c. Financial Data

MEFA financial statements primarily present the following:

- (1) Equity in common cash: Equity in common cash represents the amount of equity that MEFA had in the State Treasurer's common cash pool as of September 30, 2009. Act 468, P.A. 2004, requires that the State Treasurer manage MEFA's investments. The pooling of cash allows the State Treasurer to invest monies not needed to pay

immediate obligations so that earnings on available cash are maximized. Additional information on the State Treasurer's accounting for the State's common cash pool may be found in the *SOMCAFR*.

- (2) Capital assets: Capital assets, which include the land, buildings, and equipment located at the State fairgrounds, are reported at historical cost. All land is capitalized regardless of cost. Equipment is capitalized when the cost of individual items exceeds \$5,000, and all other capital assets are capitalized when the cost of individual items or projects exceeds \$100,000. Applicable capital assets are depreciated using the straight-line method. MEFA assigned useful lives that were most suitable for the particular assets. Estimated useful lives assigned were 5 years for equipment and 20 to 40 years for buildings and building renovations.
- (3) Warrants outstanding: Warrants outstanding represent drafts issued against the State's common cash pool that have not yet cleared. These are similar to outstanding checks; however, MEFA's balance in the common cash pool is not reduced until the warrants are redeemed.
- (4) Net assets: The difference between fund assets and liabilities is "net assets." Net assets of \$7,290,482 are restricted for investment in capital assets, which, by their nature, are not available for expenses.
- (5) Operating revenues: Operating revenues primarily consist of State Fair revenues and revenue from the leasing of MEFA facilities.
- (6) Operating expenses: Operating expenses include administration, maintenance and security, Fair expenses, and depreciation.
- (7) Nonoperating revenues and expenses: Nonoperating revenues and expenses consist of a payment from the State of Michigan and interest earned or paid on investment in or borrowing from the State's common cash pool.

- (8) Cash and cash equivalents: On the statement of cash flows, the amount reported as cash and cash equivalents is equal to the total of the amounts reported on the statement of net assets as cash and equity in common cash less the amount of warrants outstanding.

Note 2 Capital Assets

MEFA records its capital assets at cost and depreciates them over their useful lives using the straight-line depreciation method. Capital asset activities for the fiscal year ended September 30, 2009 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 3,360,000	\$	\$	\$ 3,360,000
Buildings and improvements	12,031,912		7,056	12,024,856
Non-EDP equipment	313,786			313,786
Capital assets (cost)	<u>\$15,705,698</u>	<u>\$ 0</u>	<u>\$ 7,056</u>	<u>\$15,698,642</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (7,772,250)	\$(329,181)	\$ 7,056	\$ 8,094,375
Non-EDP equipment	(313,786)			(313,786)
Total accumulated depreciation	<u>\$ (8,086,036)</u>	<u>\$(329,181)</u>	<u>\$ 7,056</u>	<u>\$ (8,408,161)</u>
Capital assets (net)	<u>\$ 7,619,663</u>	<u>\$(329,181)</u>	<u>\$ 0</u>	<u>\$ 7,290,482</u>

Note 3 Compensated Absences

Liabilities are accrued when incurred in proprietary funds (using the accrual basis of accounting). The following table summarizes compensated absences liabilities of MEFA for the fiscal year ended September 30, 2009:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
\$135,210	\$16,224	\$96,621	\$54,813	\$54,813

Note 4 Description of Leasing Arrangements

The Agriculture Building and Michigan Mall East are leased to a private entity under the terms of a 5-year operating lease effective through September 30, 2014. The tenant has the right to extend the lease agreement for 2 additional

option terms of 5 full lease years. The lessor has the right to terminate the lease if it enters into a binding contract to sell the entire State fairgrounds site. A termination fee may be required depending upon when the sale occurs.

MEFA leased other buildings to private entities on monthly operating leases.

Note 5 Schedule of Investment in Property on Operating Leases

The following schedule provides an analysis of investment in property on operating leases as of September 30, 2009:

Buildings	\$1,018,962
Less: Accumulated depreciation	(785,223)
Net investment in property on operating leases	<u>\$ 233,739</u>

Note 6 Rentals on Operating Leases

The following is a schedule, by year, of minimum future rentals on noncancelable operating leases as of September 30, 2009:

Year ending September 30:

2010	\$ 50,000
2011	50,000
2012	50,000
2013	50,000
2014	50,000
2015 and later	<u>500,000</u>
Total minimum future rentals*	<u>\$750,000</u>

* Minimum future rentals after September 30, 2014 are subject to extension of the lease agreement by the tenant.

Note 7 Employee Benefits

The employer's share of life, health, optical, dental, and long-term disability insurance premiums are charged by the State of Michigan to MEFA biweekly for each State employee's selected coverage.

Note 8 Pension and Other Postemployment Benefits

MEFA's employees are members of the State of Michigan State Employees' Retirement System (SERS) and are enrolled in either a defined benefit plan or a defined contribution plan and participate in the State of Michigan's postemployment benefits, as discussed below. Detailed information regarding the plans' accounting policies, vesting and eligibility requirements, actuarial cost methods and assumptions, funding status and requirements, and 10-year historical trend information are provided in the *SOMCAFR* or SERS financial report. The *SOMCAFR* can be obtained by writing to the Department of Management and Budget, Office of the State Budget, 111 S. Capitol Avenue, Lansing, Michigan 48913 or by calling (517) 373-7560. The SERS and defined contribution plan reports can be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103 or 1-800-381-5111.

MEFA was responsible only for the contribution amounts charged to MEFA by the State of Michigan. MEFA is not responsible for the plans' net pension obligations as these are obligations of the State of Michigan; however, the funding status of the defined benefit plan may impact future employer required contributions.

Defined Benefit Plan: MEFA's employees hired prior to March 31, 1997 are enrolled in a noncontributory defined benefit plan through SERS upon meeting certain eligibility requirements. This plan provides retirement, disability, and death benefits and annual cost-of-living adjustments to plan members. The contribution requirements of plan members and MEFA and the benefit provisions for the plan are established and may be amended by the State Legislature.

MEFA's contribution requirements and the contributions actually made were \$82,729 for the fiscal year ended September 30, 2009.

Defined Contribution Plan: The defined contribution plan was established to provide benefits at retirement to State of Michigan employees who were hired on or after March 31, 1997 and to those employees hired before that date who elected to transfer to the defined contribution plan. This plan is administered by DMB.

MEFA was required to contribute 4.0%, and to match employee contributions up to 3.0%, of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the State Legislature.

For the fiscal year ended September 30, 2009, MEFA's contributions were \$29,113 and MEFA's member contributions were \$9,288.

Other Employee Benefits: State statutes provide retired employees who meet certain vesting and other requirements with health, prescription drug, dental, and vision benefits, as well as life insurance coverage. The cost of retiree health care benefits is funded on a pay-as-you-go basis. MEFA paid \$116,246 in contributions for the fiscal year ended September 30, 2009.

Note 9 Risk Management

MEFA participated in the State of Michigan's (primary government) risk management program. The State is self-insured for most general liability and property losses; portions of its employee insurance benefit and bonding programs; and automobile liability, workers' compensation, and unemployment claims. The State Sponsored Group Insurance Fund and Risk Management Fund (internal service funds) have been established by the State to account for these self-insured risk management programs. As a participant, MEFA recognized expenses for payments made to the State in a manner similar to purchasing commercial insurance. Charges to finance the self-insured programs were based on estimates of amounts needed to pay prior and current year claims as determined annually by DMB.

Note 10 Abolishment of the Michigan Exposition and Fairgrounds Authority

On February 12, 2009, Governor Granholm issued Executive Order No. 2009-4 transferring the functions of MEFA and the position of general manager of MEFA to DMB and abolishing MEFA and the position of general manager of MEFA. The Executive Order was effective October 1, 2009. Subsequent to the abolishment of MEFA, DMB will administer the leases discussed in Notes 4, 5, and 6.

SUPPLEMENTAL FINANCIAL SCHEDULE

MICHIGAN EXPOSITION AND FAIRGROUNDS AUTHORITY
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual
For the Fiscal Year Ended September 30, 2009

Statutory/Budgetary Basis	Budget	Actual	Variance
REVENUES AND OTHER SOURCES			
Miscellaneous	\$ 6,592,400	\$ 5,054,854	\$ (1,537,546)
Total revenues and other sources	<u>\$ 6,592,400</u>	<u>\$ 5,054,854</u>	<u>\$ (1,537,546)</u>
EXPENSES, TRANSFERS OUT, AND ENCUMBRANCES			
Operations	\$ 5,923,000	\$ 4,771,481	\$ 1,151,519
Unclassified salary	98,600	93,823	4,777
Information technology	88,800	31,806	56,994
Support	150,000		150,000
Depreciation	<u>332,000</u>	<u>329,181</u>	<u>2,819</u>
Total expenses, transfers out, and encumbrances	<u>\$ 6,592,400</u>	<u>\$ 5,226,291</u>	<u>\$ 1,366,109</u>
Revenues and other sources over (under) expenses, transfers out, encumbrances, and other uses (statutory/budgetary basis)	<u>\$ 0</u>	<u>\$ (171,437)</u>	<u>\$ (171,437)</u>
Excess of revenues and other sources over (under) expenses and other uses (GAAP basis)		\$ (171,437)	
NET ASSETS (GAAP BASIS)			
Beginning balance		<u>7,502,919</u>	
Ending balance (GAAP basis)		<u><u>\$ 7,331,482</u></u>	

GLOSSARY

Glossary of Acronyms and Terms

DMB	Department of Management and Budget.
FASB	Financial Accounting Standards Board.
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 presented fairly in all material respects in conformity with the disclosed basis of accounting.
GAAP	accounting principles generally accepted in the United States of America.
GASB	Governmental Accounting Standards Board.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to 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 changes in financial position or cash flows in conformity with the disclosed basis of accounting.
MEFA	Michigan Exposition and Fairgrounds Authority.
SERS	State Employees' Retirement System.
<i>SOMCAFR</i>	<i>State of Michigan Comprehensive Annual Financial Report.</i>

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 an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules and/or financial statements 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 supplemental financial schedules and/or financial statements taken by themselves.

