

FINANCIAL AUDIT  
OF THE

MICHIGAN STATE FAIR AND EXPOSITION CENTER

DEPARTMENT OF AGRICULTURE

October 1, 2002 through September 30, 2003

“...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

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Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Financial Audit*

*Michigan State Fair and Exposition Center  
Department of Agriculture  
Fiscal Year Ended September 30, 2003*

Report Number:  
79-305-04

Released:  
December 2004

*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 report any findings related to 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 2003 Michigan State Fair was held August 15, 2003 through September 1, 2003. The Fair's reported paid attendance was 256,804.

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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: <http://audgen.michigan.gov>



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

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

**Scott M. Strong, C.P.A., C.I.A.**  
Deputy Auditor General

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

December 10, 2004

Mr. William Pridgeon, Chairperson  
Commission of Agriculture  
and  
Mr. Dan Wyant, Director  
Department of Agriculture  
Constitution Hall  
Lansing, Michigan

Dear Mr. Pridgeon 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, 2002 through September 30, 2003.

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 schedule. 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.

AUDITOR GENERAL

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INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL SCHEDULES



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

## Independent Auditor's Report on the Financial Schedules

June 11, 2004

Mr. William Pridgeon, Chairperson  
Commission of Agriculture  
and  
Mr. Dan Wyant, Director  
Department of Agriculture  
Constitution Hall  
Lansing, Michigan

Dear Mr. Pridgeon 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, 2003, 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 conformity 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, 2003, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2004 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 schedule, as identified in the table of contents, is presented for purposes of additional analysis and is 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.

AUDITOR GENERAL

MICHIGAN STATE FAIR AND EXPOSITION CENTER  
 Department of Agriculture  
 Schedule of General Fund Revenues by Source  
Fiscal Year Ended September 30, 2003

REVENUES

Fair Revenues:

Gate admissions	\$ 1,420,103
Parking	286,858
Midway rides and games	890,711
Merchandise sales	35,511
Vendor space	432,600
Sponsorship	638,557
Premiums	222,645
Stickers, passes, and entry and stall fees	160,264
Other	53,369
Total Fair Revenues	<u>\$ 4,140,618</u>

Non-Fair Revenues:

Gate admissions	\$ 29,655
Parking and camping	113,549
Rental of grounds	636,787
Rental of buildings	147,064
Sponsorship	50
Maintenance, janitorial, and utilities	80,412
Commissions on concessions	8,536
Other	11,366
Total Non-Fair Revenues	<u>\$ 1,027,418</u>

Total Revenues	<u><u>\$ 5,168,035</u></u>
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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, 2003

SOURCES OF AUTHORIZATIONS (Note 2)	
Budgetary transfers in (out)	\$ 255,200
General purpose authorizations	491,800
Restricted financing sources	5,168,035
Unexpended from prior year	<u>84,836</u>
Total	<u><u>\$ 5,999,871</u></u>
DISPOSITION OF AUTHORIZATIONS (Note 2)	
Expenditures and transfers out (Note 1b)	\$ 5,996,098
Restricted revenues - not authorized	<u>3,773</u>
Total	<u><u>\$ 5,999,871</u></u>

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, 2003. 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)*. All MSFEC revenue is classified as miscellaneous revenue in the *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 2003 Michigan State Fair was held August 15, 2003 through September 1, 2003. The Fair's reported paid attendance was 256,804.

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 present 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 conformity with generally accepted accounting principles.

The amount reported as expenditures and transfers out includes expenditures that were recorded outside the Department of Agriculture. In accordance with Section 18.1393(2) of the *Michigan Compiled Laws*, the Legislature authorized an appropriation transfer within the Department of Management and Budget (DMB) to pay \$491,800 of the State Fair's operational and maintenance expenditures associated with the management of the fairgrounds. DMB used General Fund/general purpose money to pay for the expenditures.

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. Budgetary transfers in (out): Legislatively approved transfers of spending authorization between accounts within a department or between departments. These also include administrative transfers, such as entries to complete the financial closing of the State's fiscal year, that are approved by the DMB Office of Financial Management.
- b. 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.

- c. 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 SCHEDULE

MICHIGAN STATE FAIR AND EXPOSITION CENTER  
Department of Agriculture  
Schedule of General Fund Expenditures and Transfers Out  
Fiscal Year Ended September 30, 2003

EXPENDITURES AND TRANSFERS OUT	
Administraton and manager's office	\$ 1,715,036
Buildings and grounds maintenance	1,708,027
Entertainment	995,888
Agriculture and livestock	680,314
Security	550,587
Community arts	153,647
Fairs and exposition administration	92,900
Director	74,500
Information technology	<u>25,200</u>
 Total Expenditures and Transfers Out	 <u><u>\$ 5,996,098</u></u>

INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND INTERNAL CONTROL



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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

June 11, 2004

Mr. William Pridgeon, Chairperson  
Commission of Agriculture  
and  
Mr. Dan Wyant, Director  
Department of Agriculture  
Constitution Hall  
Lansing, Michigan

Dear Mr. Pridgeon 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, 2003, as identified in the table of contents, and have issued our report thereon dated June 11, 2004. 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 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.

AUDITOR GENERAL

# GLOSSARY

## Glossary of Acronyms and Terms

<b>DMB</b>	Department of Management and Budget.
<b>financial audit</b>	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.
<b>internal control</b>	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.
<b>material misstatement</b>	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.
<b>material weakness</b>	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.
<b>MSFEC</b>	Michigan State Fair and Exposition Center.
<b>reportable condition</b>	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 an "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 supplemental financial schedules taken by themselves.