

FINANCIAL AUDIT
OF THE
MICHIGAN STATE FAIR AND EXPOSITION CENTER
DEPARTMENT OF AGRICULTURE
October 1, 1997 through September 30, 1998

EXECUTIVE DIGEST

MICHIGAN STATE FAIR AND EXPOSITION CENTER

INTRODUCTION

This report contains the results of our financial audit* of the Michigan State Fair and Exposition Center (MSFEC), Department of Agriculture, for the period October 1, 1997 through September 30, 1998.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

BACKGROUND

Act 361, P.A. 1978 (Sections 285.161 - 285.176 of the *Michigan Compiled Laws*), created MSFEC within the Department of Natural Resources. Executive Order 1993-25 transferred MSFEC to the Department of Commerce effective February 1994. Executive Order No. 1997-13 transferred MSFEC from the Department of Consumer and Industry Services (formed by the merger in May 1996 of the Departments of Commerce and Labor) to the Department of Agriculture, effective October 1997. The Department of Agriculture has the responsibility of conducting an annual Michigan State Fair and other

* See glossary at end of report for definition.

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. MSFEC operations are accounted for in the General Fund. MSFEC also leases the fairgrounds and buildings for various events throughout the year.

The 1998 Michigan State Fair was held August 25 through September 7, 1998. The Fair's reported paid attendance was 315,500. During the Fair, MSFEC had 25 full-time, 7 intermittent, and 70 temporary employees.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To assess and report on MSFEC's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. However, our assessment of internal control over financial reporting identified one material weakness* related to cash handling:

- MSFEC's controls over its cash handling process were seriously deficient in the areas of separation of duties, cash deposits, records of cash received, reconciliations, and preprinted ticket sales (Finding 1).

MSFEC agrees with the corresponding recommendation and informed us that it has

* See glossary at end of report for definition.

developed procedures to improve controls over its cash handling process.

We also identified other reportable conditions* related to cash on hand and contractual agreements for services (Findings 2 and 3).

Audit Objective: To audit MSFEC's financial schedules for the fiscal year ended September 30, 1998.

Conclusion: We expressed an unqualified opinion on MSFEC's financial schedules.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan State Fair and Exposition Center for the period October 1, 1997 through September 30, 1998. Our audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

AGENCY RESPONSES

Our audit report contains 3 findings and 3 corresponding recommendations. MSFEC indicated that it agrees with all of the recommendations and that it has taken or will take action to implement them.

* See glossary at end of report for definition.

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Ms. Deanna Stamp, Chairperson
Commission of Agriculture
and
Mr. Dan Wyant, Director
Department of Agriculture
Ottawa Building
Lansing, Michigan

Dear Ms. Stamp 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, 1997 through September 30, 1998.

This report contains our executive digest; description of agency; audit objectives, audit scope, and agency responses; comments, findings, recommendations, and agency preliminary responses; and independent auditor's reports on compliance and on internal control over financial reporting and on the financial schedules. This report also contains the Michigan State Fair and Exposition Center financial schedules and notes to the financial schedules; supplemental financial schedules; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

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

AUDITOR GENERAL

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Description of Agency

Act 361, P.A. 1978 (Sections 285.161 - 285.176 of the *Michigan Compiled Laws*), created the Michigan State Fair and Exposition Center (MSFEC) within the Department of Natural Resources. Executive Order 1993-25 transferred MSFEC to the Department of Commerce, effective February 1994. Executive Order No. 1997-13 transferred MSFEC from the Department of Consumer and Industry Services (formed by the merger in May 1996 of the Departments of Commerce and Labor) to the Department of Agriculture, effective October 1997. 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. MSFEC operations are accounted for in the General Fund. MSFEC also leases the fairgrounds and buildings for various events throughout the year.

The 1998 Michigan State Fair was held August 25 through September 7, 1998. The Fair's reported paid attendance was 315,500. During the Fair, MSFEC had 25 full-time, 7 intermittent, and 70 temporary employees.

Audit Objectives, Audit Scope, and Agency Responses

Audit Objectives

Our financial audit of the Michigan State Fair and Exposition Center (MSFEC), Department of Agriculture, had the following objectives:

1. To assess and report on MSFEC's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control over financial reporting, based on our audit of the financial schedules.
2. To audit MSFEC's financial schedules for the fiscal year ended September 30, 1998.

Audit Scope

Our audit scope was to examine the financial and other records of the Michigan State Fair and Exposition Center for the period October 1, 1997 through September 30, 1998. Our audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Agency Response

Our audit report contains 3 findings and 3 corresponding recommendations. MSFEC indicated that it agrees with all of the recommendations and that it has taken or will take action to implement them.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Agriculture to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

COMMENT

Audit Objective: To assess and report on the Michigan State Fair and Exposition Center (MSFEC's) compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. However, our assessment of internal control over financial reporting identified one material weakness related to cash handling. We also identified other reportable conditions related to cash on hand and contractual agreements for services.

FINDING

1. Cash Handling

MSFEC's controls over its cash handling process were seriously deficient in the areas of separation of duties, cash deposits, records of cash received, reconciliations, and preprinted ticket sales. Our review disclosed:

a. Separation of Duties

MSFEC did not appropriately separate the functions of cash custody and cash recordkeeping.

Department of Management and Budget (DMB) Administrative Guide procedure 1270.02 requires that the handling of cash and/or cash records should be arranged to ensure that complete control of cash from receipt to verification of deposits is not entrusted to only one employee. In addition,

deposits should be verified to the deposit tickets by someone other than the cashier.

MSFEC's cashier received cash, prepared and made bank deposits, and recorded the cash received in the State's accounting records. This condition is contrary to DMB Administrative Guide procedure 1270.02 and it significantly weakens MSFEC's control for safeguarding cash.

Separating the custody and recording functions of cash handling would reduce the risk that errors and irregularities could occur and not be detected in a timely manner and would reduce the possibility of any one person concealing an error or irregularity.

b. Cash Deposits

MSFEC did not deposit cash receipts in a timely manner as required by the DMB Administrative Guide.

DMB Administrative Guide procedure 1210.04 requires that cash received by agencies must be deposited into the bank on the day of receipt or no later than the close of business the following day.

On September 3, 1998, we conducted a surprise cash count and found \$691,821 in cash and checks on hand as detailed in the following schedule:

Source	Amount	Date Received
Cash on hand for State Fair operations	\$ 250,018	08/01/98
Merchandising sales	26,892	08/30/98 - 09/02/98
Non-Fair admission (event unknown)	4,041	Unknown
Marketing receipts	3,296	08/25/98 and 08/26/98
Admissions receipts	59,530	09/02/98
B-Lot Admissions	4,034	Unknown
Drop box in Administration	2,414	Unknown
State Fair Michigan Mart exhibition fees	1,124	08/30/98 - 09/03/98
Parking receipts	92,214	08/30/98 - 09/02/98
Donations received	247,804	07/10/98 - 09/02/98
Miscellaneous receipts	454	1995 and 1996
Total cash on hand	\$ 691,821	

MSFEC's change fund totaled \$250,018. This analysis shows that the remaining \$441,803 included various receipts that had been held by MSFEC without deposit from one day up to four years, with the date of some cash receipts unknown.

Depositing cash on a daily basis as required by the DMB Administrative Guide helps reduce the risk of loss from theft, from missed investment opportunities, and from other unforeseen circumstances.

c. Records of Cash Received

MSFEC did not issue receipts or prepare and maintain records of all cash received.

Our September 3, 1998 cash count disclosed numerous bags, boxes, envelopes, and piles of unorganized cash and checks haphazardly kept in the safe or in storage containers.

Because receipts were not issued and other records were not prepared, we could not determine the correctness of the cash amounts counted. In many

cases, documentation needed to perform secondary verification procedures did not exist. This condition is illustrated by the following table of cash counts:

Source	Date Received	Amount of Cash Counted	Amount That Should Be on Hand
Cash on hand for State Fair			
Operations	08/01/98	\$250,018	\$ 250,000 (a)
Merchandising sales	08/30/98 - 09/02/98	26,892	\$ 26,892 (b)
Non-Fair admission			
(event unknown)	Unknown	4,041	Unknown
Marketing receipts	08/25/98 and 08/26/98	3,296	Unknown
Admissions receipts	09/02/98	59,530	\$ 59,380 (c)
B-Lot Admissions	Unknown	4,034	Unknown
Drop box in Administration	Unknown	2,414	Unknown
State Fair Michigan Mart			
exhibition fees	08/30/98 - 09/03/98	1,124	Unknown
Parking receipts	08/30/98 - 09/02/98	92,214	\$ 92,214 (d)
Donations received	07/10/98 - 09/02/98	247,804	Unknown
Miscellaneous receipts	1995 and 1996	454	Unknown
Total		\$691,821	

- (a) Per the State's accounting records.
- (b) Per the merchandising report.
- (c) Per automated ticket machines' report.
- (d) Per parking ticket report.

d. Reconciliations

MSFEC did not perform reconciliations necessary to ensure that all cash received was receipted and subsequently deposited.

For example, MSFEC sold tickets using automated ticket machines at most sales locations and, at certain remote locations, MSFEC used preprinted tickets. The automated ticket machines produced a daily record summarizing the number and dollar value of all tickets sold. In addition, each cashier prepared a daily ticket seller's report documenting the amount of cash counted and attached a summary report produced by the electronic ticket machine documenting the number and dollar amounts of tickets printed by each

cashier. However, MSFEC did not reconcile admission receipts to funds deposited or reconcile the number of tickets sold to cash received. Reconciling admission receipts to the admission tickets and the ticket sellers' reports is necessary to properly account for daily ticket sales.

We analyzed deposits for each of the 14 days of the 1998 Michigan State Fair. Our review disclosed that the daily deposits did not agree with the automated ticket machines' daily summary reports or the daily ticket sellers' reports for any of the 14 days reviewed. Because MSFEC did not verify whether amounts on the automated ticket machines' reports or the ticket sellers' reports agreed with the amounts deposited, MSFEC lacked assurance that the proper amounts were deposited and recorded in the State's accounting records.

This condition is illustrated by the following table comparing the automated ticket machines' report to cashier deposits:

Cash Sales Per		Total Deposits Per Cashier	Difference
Automated Ticket Machines' Report Date Received	Amount		
August 25	\$ 61,981	\$ 60,240	\$ (1,741)
August 26	65,038	65,587	550
August 27	103,588	102,128	(1,460)
August 28	89,660	88,364	(1,296)
August 29	287,511	273,871	(13,640)
August 30	236,520	235,724	(796)
August 31	80,789	80,655	(134)
September 1	55,278	55,643	365
September 2	59,380	59,532	152
September 3	69,757	68,707	(1,050)
September 4	164,642	168,945	4,303
September 5	278,353	273,126	(5,227)
September 6	243,696	245,641	1,946
September 7	183,880	185,430	1,550
Total	<u>\$1,980,070</u>	<u>\$1,963,591</u>	<u>\$ (16,478)</u>

The cause of these differences could not be determined because MSFEC did not reconcile the reports; only one person was responsible for accepting receipts, making deposits, and recording cash receipts; and cash receipts often lacked documentation identifying the source and date of receipt of funds.

Maintaining appropriate records of cash received and performing reconciliations provide control and accountability and help to reduce the risk that errors or irregularities could occur and not be detected in a timely manner.

e. Preprinted Ticket Sales

MSFEC had not established appropriate control and accountability over preprinted ticket sales.

MSFEC used automated ticket machines at most sales locations. However, at certain sales locations, MSFEC used preprinted tickets because it was not practical to place automated ticket machines at every State Fair gate. We ascertained that, during the 14 days of operation, MSFEC preprinted tickets worth \$43,275. However, our comparison of preprinted tickets to actual ticket sales disclosed that preprinted tickets worth \$1,834 were not accounted for.

Appropriate cash handling controls should provide assurances that all cash received is deposited on a timely basis. The controls should provide the capability to fix individual responsibility for any discrepancies detected.

Because of the severity of MSFEC's cash handling control deficiencies, including lack of separation of duties, untimely cash deposits, lack of documentation for receipts found in the safe, failure to perform reconciliations of admissions, and lack of accountability for preprinted tickets, it was impossible to determine whether all cash received by MSFEC was ultimately deposited into State accounts.

RECOMMENDATION

We recommend that MSFEC improve controls over its cash handling process related to separation of duties, cash deposits, records of cash received, reconciliations, and preprinted ticket sales.

AGENCY PRELIMINARY RESPONSE

MSFEC agrees with the recommendation and informed us that it has developed procedures to improve controls over its cash handling process.

FINDING

2. Cash on Hand

MSFEC needs to initiate measures to reduce the amount of cash on hand during the operation of the Michigan State Fair.

Minimizing the amount of cash on hand contributes to sound internal control and is a widely adopted business practice that helps to safeguard cash receipts and minimize the safety risk to employees from potential robbery.

MSFEC established a \$250,000 cash bank during Michigan State Fair operations. MSFEC informed us that \$250,000 was needed for sellers to make change and to have sufficient cash on hand to cash State warrants paid to entertainers who request MSFEC to cash their warrants.

We question MSFEC's need for a \$250,000 cash bank for the following reasons:

- a. As of September 3, 1998 (the date of our cash count), the maximum amount needed for the change fund was \$100,000 on August 25, 1998 (\$50,000 for the change fund plus \$50,000 to cash entertainers' warrants). Nine days into the 14-day Fair, MSFEC had cashed entertainers' warrants of \$50,000 on August 25, 1998, \$24,750 on August 28, 1998, and \$5,000 on August 31, 1998.
- b. MSFEC collected from \$70,000 to \$280,000 in cash daily from admissions, parking, and merchandising. Because entertainers are paid daily at the close of the Michigan State Fair, sufficient cash is on hand from daily receipts to cash any entertainer's warrant.
- c. MSFEC could determine in advance its daily need for cash because entertainers' contracts stipulate their cash needs. Therefore, MSFEC could obtain any additional cash needed on a daily basis.

RECOMMENDATION

We recommend that MSFEC initiate measures to reduce the amount of cash on hand during the operation of the Michigan State Fair.

AGENCY PRELIMINARY RESPONSE

MSFEC agrees with the recommendation. MSFEC will seek to get all entertainers to accept a warrant in place of cash; however, MSFEC has also determined that it may not be possible to reduce its cash needs as suggested by the auditors.

MSFEC stated that its daily cash needs vary with attendance, big name stars, and the day of the week. In addition, change is required because of admission prices and parking fees. MSFEC feels that it is not feasible to make change from its cash receipts and make timely deposits. MSFEC will review its cash needs in an effort to reduce its cash bank.

FINDING

3. Contractual Agreements for Services

MSFEC did not have effective controls to ensure that all contracted services were operating by the terms of written contracts signed by both parties.

Sound internal control requires that management contracts be current and complete to ensure that the interests of the State are protected.

Our review determined that four of the major vendors for MSFEC did not have current contracts on file. The vendors were operating under terms of the 1997 Michigan State Fair.

MSFEC's lack of current and complete contracts exposes both parties to disputes over payments and expected services.

RECOMMENDATION

We recommend that MSFEC help ensure that all contracted services are operating by the terms of written contracts signed by both parties.

AGENCY PRELIMINARY RESPONSE

MSFEC agrees with the recommendation and will apply a greater effort to ensure that all contracted services are operating by the terms of written contracts, signed by both parties, and covering the current contractual period.

FINANCIAL ACCOUNTING AND REPORTING

COMMENT

Audit Objective: To audit MSFEC's financial schedules for the fiscal year ended September 30, 1998.

Conclusion: We expressed an unqualified opinion on MSFEC's financial schedules.

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

May 28, 1999

Ms. Deanna Stamp, Chairperson
Commission of Agriculture
and
Mr. Dan Wyant, Director
Department of Agriculture
Ottawa Building
Lansing, Michigan

Dear Ms. Stamp and Mr. Wyant:

We have audited the General Fund financial schedules of the Michigan State Fair and Exposition Center, Department of Agriculture, for the fiscal year ended September 30, 1998 and have issued our report thereon dated May 28, 1999. We conducted our audit in accordance with generally accepted auditing standards 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.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Michigan State Fair and Exposition Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. Reportable conditions are described in Findings 1 through 3.

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the previous paragraph, we consider Finding 1 to be a material weaknesses.

This report is intended solely for the information and use of 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

Independent Auditor's Report on
the Financial Schedules

May 28, 1999

Ms. Deanna Stamp, Chairperson
Department of Agriculture
and
Mr. Dan Wyant, Director
Department of Agriculture
Ottawa Building
Lansing, Michigan

Dear Ms. Stamp and Mr. Wyant:

We have audited the accompanying schedule of General Fund revenue and the schedule of sources and disposition of General Fund authorizations of the Michigan State Fair and Exposition Center, Department of Agriculture, for the fiscal year ended September 30, 1998. 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. The financial transactions of the Michigan State Fair and Exposition Center are accounted for in the General Fund of the State of Michigan.

We conducted our audit in accordance with generally accepted auditing standards 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 accompanying financial schedules include only the revenue and the sources and disposition of authorizations for the Michigan State Fair

and Exposition Center's General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Michigan State Fair and Exposition Center or the State's General Fund in accordance with generally accepted accounting principles.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and the sources and disposition of authorizations of the Michigan State Fair and Exposition Center for the fiscal year ended September 30, 1998, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 1999 on our consideration of the Michigan State Fair and Exposition Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying supplemental financial schedules, consisting of the schedule of General Fund revenue by source and the schedule of General Fund expenditures, 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.

AUDITOR GENERAL

MICHIGAN STATE FAIR AND EXPOSITION CENTER

Department of Agriculture

Schedule of General Fund Revenue

Fiscal Year Ended September 30, 1998

REVENUE

Miscellaneous revenue:

Fair revenue

\$ 5,294,508

Non-Fair revenue

1,389,784

Total Revenue

\$ 6,684,293

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, 1998

SOURCES OF AUTHORIZATIONS (Note 2)

General purpose appropriations	\$ 707,100
Restricted financing sources	<u>6,684,293</u>
Total	<u>\$ 7,391,393</u>

DISPOSITION OF AUTHORIZATIONS (Note 2)

Expenditures	\$ 7,322,092
Restricted revenue - not authorized	69,299
Balances lapsed	<u>1</u>
Total	<u>\$ 7,391,393</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, 1998. The financial transactions of MSFEC are accounted for in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

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 and Budgetary Control, Pension Benefits and Other Postemployment Benefits, Compensated Absences, Leases, and Interfund Receivables and Payables.

b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by generally accepted accounting principles for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and the sources and disposition of authorizations for MSFEC's General Fund accounts. Accordingly, these financial schedules are not intended to 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. General purpose appropriations: Original appropriation and any supplemental appropriations that are financed by General Fund/general purpose revenue.
- b. Restricted financing sources: Collections of restricted revenue, restricted operating transfers, and restricted interfund expenditure reimbursements to finance department 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 revenue - authorized or restricted revenue - not authorized.
- c. Restricted revenue - not authorized: Revenue that, by statute, is restricted for use to a particular department program or activity. However, the expenditure of the restricted revenue is subject to annual legislative appropriation.

SUPPLEMENTAL FINANCIAL SCHEDULES

MICHIGAN STATE FAIR AND EXPOSITION CENTER

Department of Agriculture
Schedule of General Fund Revenue by Source
Fiscal Year Ended September 30, 1998

REVENUE

Fair Revenue:

Gate admissions	\$ 2,026,524
Fair parking	363,113
Midway percentage - rides	762,206
Midway contract - games	186,638
Concessions and exhibits	387,186
Stickers and passes	100,465
Entry and stall fees	428,529
Sponsorship	849,386
Other	<u>190,460</u>
Total Fair Revenue	<u>\$ 5,294,508</u>

Non-Fair Revenue:

Charges for labor and utilities	\$ 352,453
Non-Fair rentals - buildings and grounds	439,249
Non-Fair commission on concessions	63,059
Non-Fair gate receipts	55,039
Non-Fair parking and camping	323,825
Storage	5,000
Other	<u>151,159</u>
Total Non-Fair Revenue	<u>\$ 1,389,784</u>
Total Revenue	<u><u>\$ 6,684,293</u></u>

MICHIGAN STATE FAIR AND EXPOSITION CENTER

Department of Agriculture
Schedule of General Fund Expenditures
Fiscal Year Ended September 30, 1998

EXPENDITURES

Administration	\$ 1,608,359
Purchasing	4,446
Buildings and grounds maintenance	2,635,847
Security	579,259
First aid	30,339
Advertising	225,406
Marketing	176,488
Agriculture and livestock	713,651
Community arts	145,037
Entertainment	1,176,907
Volunteer	<u>26,352</u>
Total Expenditures	<u>\$ 7,322,092</u>

Glossary of Acronyms and Terms

DMB	Department of Management and Budget.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules of an audited entity are fairly presented in conformity with generally accepted accounting principles.
internal control	A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.
material weakness	A 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 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.
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 MSFEC's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>