



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

State Agricultural Society
Year Ended October 31, 2004



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

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Audit Participation

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA, CISA	Audit Manager
Scott Tjomsland, CPA	Auditor-in-Charge
Gena Hoffman	Auditor
Marisa Isenberg	Auditor
Kelly Olson	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following staff of the State Agricultural Society on May 13, 2005:

Jerry Hammer	Executive Vice President
Marshall Jacobson	Controller

Report Summary

Key Conclusions:

- We issued an unqualified opinion on the State Agricultural Society's financial statements for the year ended October 31, 2004.
- We did not identify any reportable conditions involving the internal control over financial reporting or any instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Audit Scope:

Audit Period: The year ended October 31, 2004

Programs Audited:

- Midway Activity
- Coliseum and Grandstand Revenue
- Gate and Parking Revenue
- Sales Revenue
- Payroll Expense
- Payout and Other Expenses
- Fixed Assets
- Cash and Cash Equivalents
- Revenue Bond Liabilities
- Accounts Receivable

Agency Background:

The State Agricultural Society runs Minnesota's annual state fair and maintains the state fairgrounds. It earned about \$27.9 million in operating revenues during fiscal year 2004 and had total assets of nearly \$46 million on October 31, 2004.

For the first time this year, the Society included the activities of the State Fair Foundation in its annual report as a discretely presented component unit.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Clarice Schmidt, President
Board of Managers
State Agricultural Society

Members of the State Agricultural Society

Mr. Jerry Hammer, Executive Vice President
State Agricultural Society

We have audited the financial statements of the State Agricultural Society as of and for the year ended October 31, 2004, and have issued our report thereon dated March 15, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Agricultural Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 statements 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

State Agricultural Society

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Agricultural Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State Agricultural Society's board of managers, the Society's management, and the Legislative Audit Commission and is not intended to be and should not be used by anyone other than these specified parties.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

March 15, 2005

**Status of Prior Audit Issues
As of March 15, 2005**

Most Recent Audit

The Office of the Legislative Auditor performs an annual audit of the State Agricultural Society. Legislative Audit Report 04-20, dated May 13, 2004, covered the fiscal year ended October 31, 2003. The audit scope included those areas material to the Society's financial statements. The report contained three findings. One finding was an ongoing issue related to the Society's information technology security risks. The Society has made progress and is continuing to work on resolving these security risks. The Society has fully resolved the other two findings, one relating to the promptness of adjusting entries to the general ledger cash accounts and the other concerning segregation of duties related to payroll and human resources activity.