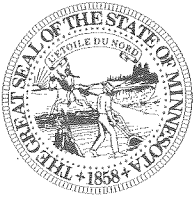


STATE AGRICULTURAL SOCIETY
FINANCIAL AND COMPLIANCE AUDIT
FOR THE YEAR ENDED OCTOBER 31, 1986

MARCH 1987

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Randolph W. Peterson, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. J.G. Tiffany, President
Board of Managers
State Agricultural Society

Mr. Michael D. Heffron
Secretary - General Manager
State Agricultural Society

and

Members of the State Agricultural Society

Audit Scope

We have completed a financial and compliance audit of the State Agricultural Society for the year ended October 31, 1986. Our audit was conducted in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on January 7, 1987.

The objectives of the audit were to:

- express an opinion on the financial statements of the State Agricultural Society (SAS) for the year ended October 31, 1986;
- study and evaluate major SAS internal control systems, including a review of receipts including ticket and space rental revenue, and administrative disbursements;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minnesota Statute Chapter 37; and
- determine the status of prior audit recommendations.

Management Responsibilities

The management of SAS is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a

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system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of the SAS is also responsible for the Society's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the activities administered by the SAS. The purpose of our testing of transactions was to obtain reasonable assurance that the SAS had, in all material respects, administered their programs in compliance with applicable laws and regulations.

Conclusions


We have issued an unqualified opinion on the SAS financial statements for the year ended October 31, 1986. Our audit opinion, dated January 7, 1986, is included within the 1986 SAS Annual Report.

In our opinion, the SAS system of internal accounting control in effect on October 31, 1986, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorizations.

In our opinion, for the year ended October 31, 1986, SAS administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

Our audit disclosed no weaknesses in accounting procedures or controls. A summary of the progress made on all audit recommendations discussed in our last audit report covering the year ended October 31, 1985, is shown in the section entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the State Agricultural Society staff for the cooperation extended to us during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

March 2, 1987

STATE AGRICULTURAL SOCIETY

I. STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

Internal control over advance sale tickets needs improvement.

1. A perpetual inventory of tickets should be maintained for each selling unit.

RECOMMENDATION IMPLEMENTED. When advance gate admission tickets became available for the 1986 Fair, the tickets were consigned by the Finance Director to individuals by ticket number. Each individual was responsible for the tickets assigned to him. He was required to return cash, the remaining tickets, or documentation for complimentary tickets to match the original value of admission tickets consigned.

2. Tickets sold prior to the start of the state fair should be reconciled periodically to the cash received.

RECOMMENDATION IMPLEMENTED. When advance tickets went on sale at the box office on July 4, 1986, procedures were in place to provide a daily reconciliation per window between cash collected and tickets sold. Mail order tickets are reconciled to cash several times each day by comparing the cash received to transmittal forms which show the number and total value of tickets issued for every 24 orders.

Security over blank checks needs improvement.

3. To improve security over blank checks, the SAS should maintain an inventory of all checks, including a log of all checks used or assigned.

RECOMMENDATION IMPLEMENTED. A check inventory was taken in December 1985, and a logging system was established to account for check numbers used or voided. Check numbers are allotted by fund and a specific individual must account for the checks drawn on that fund.