

**STATE AGRICULTURAL SOCIETY  
FINANCIAL AUDIT  
FOR THE YEAR ENDED OCTOBER 31, 1989**

**FEBRUARY 1990**

**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**

**90-8**



# SUMMARY

State of Minnesota  
Office of the Legislative Auditor  
Veterans Service Building • St. Paul, MN 55155  
612/296-4708

## STATE AGRICULTURAL SOCIETY

### FINANCIAL AUDIT FOR THE YEAR ENDED OCTOBER 31, 1989

Public Release Date: February 16, 1990

No. 90-8

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#### OBJECTIVES:

- EXAMINE THE SOCIETY'S FINANCIAL STATEMENTS.
- EVALUATE INTERNAL CONTROL STRUCTURE: Ticket sales receipts, space rental receipts, off-season events receipts, cash and investments, fixed asset inventory, cash disbursements, premium fund receipts and disbursements, and payroll disbursements.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

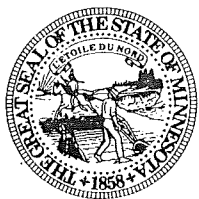
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#### CONCLUSIONS:

- We will issue our opinion on the financial statements in the Society's annual report.
- We found the internal control structure to be effective.
- We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.  
(612) 296-1730





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Senator John E. Brandl, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. William Korff, President  
Board of Managers  
State Agricultural Society

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

Members of the State Agricultural Society

Audit Scope

We have audited the financial statements of the State Agricultural Society (the Society) as of and for the year ended October 31, 1989, and issued our report thereon dated January 12, 1990. We have also made a study and evaluation of the internal control structure of the Society in effect at December 1, 1989.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Society are free of material misstatements.

As part of our examination of the financial statements and our study and evaluation of the internal control structure, we performed tests of the Society's compliance with certain provisions of laws, regulations, and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Society is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

Senator John E. Brandl, Chairman  
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Mr. William Korff, President  
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Members of the State Agricultural Society  
Page 2

- assets are safeguarded against loss from unauthorized use or disposition; and
- transactions are executed in accordance with applicable legal and regulatory provisions, management's authorization, and recorded properly.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- ticket sales receipts,
- space rental receipts,
- off season events receipts,
- cash and investments,
- fixed asset inventory,
- cash disbursements,
- premium fund receipts and disbursements, and
- payroll disbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

#### Conclusions

In our opinion, the internal control structure of the State Agricultural Society in effect at December 1, 1989, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial transactions of the Society.

However, we noted certain matters involving the internal control structure and its operation that we reported to the management of the Society at the exit conference held on January 31, 1990.

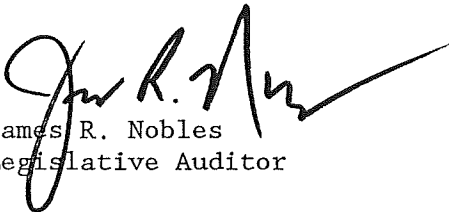
The results of our tests indicate that, with respect to the items tested, the Society complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not

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Page 3

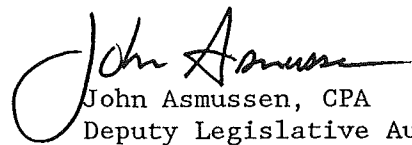
tested, nothing came to our attention that caused us to believe that the society had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the State Agricultural Society. This restriction is not intended to limit the distribution of this report, which was released as a public document on February 16, 1990.

We would like to thank the Society's staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

END OF FIELDWORK: January 16, 1990

REPORT SIGNED ON: February 12, 1990