

State Agricultural Society

Financial Audit

For the Year Ended October 31, 1994

February 1995

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

95-05

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155
612/296-4708

State Agricultural Society

Financial Audit For The Year Ended October 31, 1994

Public Release Date: February 17, 1995

No. 95-05

Objectives:

- Examine the society's financial statements.
- Review internal control structure: Ticket sales, space rental revenues, cash and cash equivalents, fixed asset inventories and depreciation, administrative expenses and payables, and employee payroll.
- Test compliance with certain finance-related legal provisions.

Conclusions:

We will issue our opinion of the financial statements in the society's annual report.

We found no weaknesses in the internal control structure.

We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.
296-1235



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Howard Morris, President
Board of Managers
State Agricultural Society

Mr. Michael D. Heffron, Executive Vice President
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, 1994, and issued our report thereon dated January 13, 1995. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit, and that we perform tests of the agency's compliance with certain material provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

Internal Control Structure

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

- ticket sales,
- space rental revenues,
- cash and cash equivalents,
- fixed assets and depreciation,
- administrative expenses and payables, and
- employee payroll.

For 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.

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Mr. Howard Morris, President
Mr. Michael D. Heffron, Executive Vice President
Members of the State Agricultural Society
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Management Responsibilities

The management of the Society is responsible for establishing and maintaining the 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:

- assets are safeguarded against loss from unauthorized use or disposition; and
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as 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 internal control 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.

Conclusions


The internal control structure categories that we examined included: ticket sales, space rental revenues, cash and cash equivalents, fixed assets and depreciation, administrative expenses and payables, and employee payroll. We found no weaknesses involving the internal control structure and its operation for these areas.

The results of our tests of compliance 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 tested, nothing else came to our attention that caused us to believe that the Society had not complied, in all material respects, with those provisions.

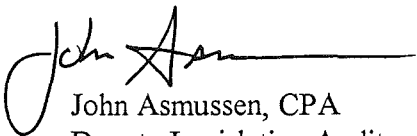
This report is intended for the information of the Legislative Audit Commission and management of the Society. This restriction is not intended to limit the distribution of this report, which was released as a public document on February 17, 1995.

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Mr. Howard Morris, President
Mr. Michael D. Heffron, Executive Vice President
Members of the State Agricultural Society
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We thank the State Agricultural Society staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: January 13, 1995

Report Signed On: February 14, 1995

State Agricultural Society

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Sonya Hill, CPA	Auditor-in-Charge
Jenny Lee	Auditor
Steve Johnson	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following staff of the State Agricultural Society on January 26, 1995:

Mike Heffron	Executive Vice President
Marshall Jacobson	Finance Director

State Agricultural Society

Background

The State Agricultural Society was legally organized as a public corporation in 1860. The Society operates under Minn. Stat. Chapter 37. However, it is a self-governing body and is exempt from the finance-related rules and regulations applicable to most state agencies.

The Minnesota State Agricultural Society Board of Managers administers the operation of the annual State Fair exposition and the maintenance of the fairgrounds. The 10-member board is comprised of one representative from each of the Society's nine regional districts, and a president. Annually, the board elects a chief operating officer for the Society. Mike Heffron continues to serve as the executive vice president of the Society.

The State Agricultural Society is financially self-sufficient. The Society reported net incomes of \$490,683 for the year ended October 31, 1994 and \$1,309,047 for the year ended October 31, 1993. The Society's primary sources of revenue are ticket sales and space rentals. Significant expense classifications include activities and support, plant maintenance, plant operations, administrative, and depreciation charges. The Society's annual report, which includes its audited financial statements, is available from the Society offices.