KPMG Peat Marwick

MINNESOTA STATE SENATE

Statements of Status of Appropriations and Expenditures

For the years ended June 30, 1991 and 1990

MINNESOTA STATE SENATE

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PATRICK E. FLAHAVEN
Secretary of the Senate

Senate
State of Minnesota

December 23, 1991

The Honorable Roger D. Moe, Chairman
Committee on Rules and Administration
208 State Capitol
St. Paul, Minnesota

Dear Senator Moe:

Herewith transmitted is the audit report by the accounting firm of KPMG Peat Marwick, conducted under a contract entered into by the Senate to cover fiscal year 1991.

In my role as chief operating officer of the Senate, I have observed that the recommendations that have been made over the past few years in these audits have been helpful to the Senators and staff in conducting internal operations.

The personnel who performed the audit did so in a thorough and professional manner.

I recommend that the Senate conduct an audit at the close of fiscal year 1992.

Sincerely,

Patrick E. Flahaven

Patrick E. Flahaven
Secretary of the Senate

PEF:sb

231 State Capitol, St. Paul, Minnesota 55155 • Phone (612) 296-2343
1073 Lincoln Avenue, St. Paul, Minnesota 55105 • Phone (612) 222-8675

KPMG Peat Marwick

Certified Public Accountants

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

Secretary of the Senate
Minnesota State Senate:

We have audited the accompanying statements of status of appropriations and expenditures of the Minnesota State Senate for the years ended June 30, 1991 and 1990. These financial statements are the responsibility of the Senate's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 1, the financial statements of the Minnesota State Senate are intended to present only that portion of the State of Minnesota financial statements that is attributable to the transactions of the Minnesota State Senate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the status of appropriations and expenditures of the Minnesota State Senate for the years ended June 30, 1991 and 1990 in conformity with generally accepted accounting principles.

KPMG Peat Marwick

September 24, 1991

MINNESOTA STATE SENATE

Statements of Status of Appropriations

For the years ended June 30, 1991 and 1990

	1991	1990
Appropriation carryforward, beginning of year	$ 1,867,399	430,002
Appropriation for the year	15,674,900	15,920,000
Other receipts for the year	51,495	12,622
Expenditures for the year	(15,936,897)	(14,495,225)
Appropriation carryforward, end of year	$ 1,656,897	1,867,399

See accompanying notes to statements.

MINNESOTA STATE SENATE

Statements of Expenditures

For the years ended June 30, 1991 and 1990

	1991	1990
Salaries and benefits	$ 12,099,583	11,023,229
Contractual expenditures	1,520,035	1,093,844
Travel, per diem, telephones and postage	1,072,585	1,126,889
Supplies and materials	452,361	345,367
Capital outlay – equipment	792,333	905,896
	$ 15,936,897	14,495,225

See accompanying notes to statements.

MINNESOTA STATE SENATE

Notes to Statements

June 30, 1991 and 1990

(1) Summary of Significant Accounting Policies

The accounting policies of the Minnesota State Senate (the Senate) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant accounting policies:

(a) Financial Reporting Entity

The Senate was established in 1858. It consists of 67 members who are elected by Minnesota voters to serve four-year terms making laws for the state of Minnesota (the State) and its people, and proposing amendments to the State constitution. The Senate is part of the legislative branch of the State government and, as such, its financial transactions are included in the General Fund and become part of the State financial reporting entity. The financial statements of the General Fund of the State are examined by the Office of the Legislative Auditor.

(b) Basis of Presentation

The Senate is funded by an appropriation from the General Fund of the State. The unspent portion of the appropriation is carried forward indefinitely and, in accordance with specific approval procedures, is available currently for unbudgeted, major expenditures. The cumulative amount of the unspent portion of appropriations is included in the statements of status of appropriations. The Senate's expenditures are classified according to State administrative guidelines.

(c) Basis of Accounting

Basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurement made, regardless of the nature of the measurement.

The financial statements of the Senate are prepared on the modified accrual basis of accounting as appropriate for governmental funds. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable. An exception to this general rule is for accumulated unpaid vacation and sick leave, which is not recognized until paid.

(d) Disbursement of Funds

Funds are disbursed by the State's Department of Finance.

(Continued)

(e) Budgetary Accounting

The Senate adopts a budget for each year of the State's fiscal biennium that reflects the total amount that can be expended by the Senate. Budgets for each year in a biennium are prepared by the Senate's administrative staff. The budget is first reviewed and approved by the Rules and Administration Senate Budget Subcommittee. Based on the Subcommittee's recommendation, the Committee on Rules and Administration adopts an operating budget for the Senate. The budget is then referred to the Senate Finance Committee. The budget must be approved by the Senate Finance Committee, the Senate and the State House of Representatives. The approved budget is submitted to the State's Department of Finance and an appropriation for the budgeted amount is awarded for each year in the biennium.

Expenditures cannot legally exceed the total initially budgeted unless supplemental appropriations are approved by the State Commissioner of Finance or unspent appropriations carried forward from previous years are available.

(f) Vacation and Sick Leave Policy

Permanent employees accrue vacation and sick leave according to State administrative guidelines. Senators and temporary employees do not accrue vacation or sick leave. Upon severance, permanent employees are compensated for all of their earned but unused vacation and a percentage of their accumulated sick leave depending upon length of State service and the nature of their severance (voluntary or involuntary).

(g) Fixed Assets

Fixed asset acquisitions are recorded as expenditures, consistent with the procedures for governmental fund-type accounting. The Senate maintains a record of its fixed assets at historical cost in a memorandum ledger.

(h) Reclassifications

Certain 1990 balances have been reclassified to conform to the current year presentation.

(2) Pension Plans

The Senate is involved in two pension programs as follows:

(a) Senators are covered by the Legislative Retirement Plan, a defined benefit plan which is administered by the Minnesota State Retirement System. Senators contribute nine percent of their salaries to the plan. These contributions are deposited into the State's General Fund. Upon retirement of a senator, funds equal to the present value of future benefits to be paid to that senator are transferred from the General Fund to the Minnesota Post Retirement Investment Fund. The Senate makes no direct contribution to the plan and is not responsible for any unfunded liability of the plan.

(Continued)

(b) All permanent employees of the Senate are covered by the Unclassified Retirement Plan, a defined contribution plan which is also administered by the Minnesota State Retirement System. Employees contribute four percent of their salaries and the Senate contributes six percent of salaries to the plan. The Senate's contribution was $449,328 in 1991 and $404,874 in 1990.

(3) Compensated Absences

Statement 4 of the National Council on Governmental Accounting, as recognized by Government Standards Board Statement 1, specifies that the liability for unpaid vacation and sick leave in which employees are entitled to is to be reported in the General Long-term Debt Account Group if it is not to be liquidated with expendable available financial resources. Consistent with this Statement, the Senate does not record accrued liabilities for compensated absences but recognizes these expenses as they are paid. Such liability related to the Senate is reported in the State's General Long-term Debt Account Group.

The accrued liabilities for vacation and sick leave which would be payable as severance pay are as follows:

	1991	1990
Vacation	$ 567,361	518,453
Sick leave	533,661	309,456
Totals	$ 1,101,022	827,909

(4) Reconciliation of Senate Statements to Department of Finance Budgetary Reports

The accompanying statements of status of appropriations and expenditures are prepared on a different basis of accounting than the budgetary reports of the State's Department of Finance. The Senate statements are presented on the modified accrual basis and the Department of Finance reports are presented on a cash basis, except that at year end encumbered amounts are included in expenditures. As a result, differences exist between expenditures reported in the Senate financial statements and expenditures reported by the Department of Finance. The following is a reconciliation of expenditures reported in the Senate statements to the expenditures included in the budgetary reports:

	Department of Finance reports	Accrual basis adjustments	Senate financial statements
Appropriation carryforward, beginning of year	$ 2,060,116	(192,717)	1,867,399
Appropriation for the year	15,674,900	-	15,674,900
Other receipts for the year	51,495	-	51,495
Expenditures for the year	(15,917,184)	(19,713)	(15,936,897)
Appropriation carryforward, end of year	$ 1,869,327	(212,430)	1,656,897

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Certified Public Accountants

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report on Internal Accounting Control

Secretary of the Senate
Minnesota State Senate:

We have audited the financial statements of the Minnesota State Senate as of and for the year ended June 30, 1991, and have issued our report thereon dated September 24, 1991.

We conducted our audit in accordance with generally accepted auditing standards and 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 statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Minnesota State Senate for the year ended June 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Minnesota State Senate is responsible for establishing and maintaining an internal control structure. 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 that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: appropriations, purchases/disbursements and payroll.

For all 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management and the Minnesota State Senate and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Minnesota State Senate, is a matter of public record.

KPMG Peat Marwick

September 24, 1991

Exhibit I

MINNESOTA STATE SENATE

Status of Prior Year Comments and Recommendations Regarding Internal Accounting Controls and Operations

During our audit we reviewed the status of the Senate's implementation of the comments and recommendations made in our letter of December 7, 1990. Noted below, under the headings used in that letter, is the status of the Senate's implementation of our recommendations. We did not identify any comments during the current fiscal year audit.

GENERAL LEDGER RECONCILIATIONS

The Payroll Department will continue to manually calculate FICA, MSRS and insurance for each committee versus in total. The Senate determined that it is necessary to keep this detail by committee to aid in determining incremental costs of employees, especially during the tight budget period.

LONG DISTANCE PHONE USAGE

The Purchasing Department is requiring documentation from committees for long distance telephone charges where a WATS line could have been used. The Accounting Department circulated a memo to all employees reiterating long distance phone procedures.

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Independent Auditors' Report on Compliance

Secretary of the Senate
Minnesota State Senate:

We have audited the statements of status of appropriations and expenditures of the Minnesota State Senate as of and for the year ended June 30, 1991, and have issued our report thereon dated September 24, 1991.

We conducted our audit in accordance with generally accepted auditing standards and 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 statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Minnesota State Senate is the responsibility of the Minnesota State Senate's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Minnesota State Senate's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Minnesota State Senate complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota State Senate had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the Minnesota State Senate. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

KPMG Peat Marwick

September 24, 1991