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**Financial Statements and Report of  
Independent Certified Public Accountants**

**Minnesota State Senate**

**June 30, 2003 and 2002**

**Grant Thornton** 

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**Financial Statements and Report of  
Independent Certified Public Accountants**

**Minnesota State Senate**

**June 30, 2003 and 2002**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Secretary of the Senate  
Minnesota State Senate

We have audited the accompanying statements of status of appropriations and expenditures of the Minnesota State Senate (Senate), as of and for the years ended June 30, 2003 and 2002. 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 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. 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.

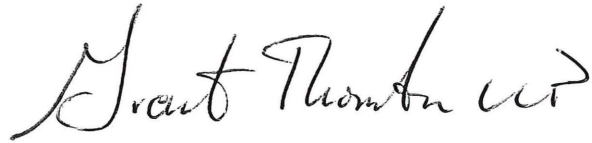
As described in note A, the financial statements of the Senate are intended to present only that portion of the State of Minnesota financial statements that is attributed to the transactions of the Senate.

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 as of and for the years ended June 30, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2004 on our consideration of the Senate's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of, and should be read in conjunction with, our report on the financial statements.

The statistical information listed in the table of contents is not necessary for fair presentation of the general purpose financial statements, but is presented as additional analytical data. This information is unaudited and we do not express an opinion on it.

A handwritten signature in cursive script, appearing to read "Grant Thornton LLP".

Minneapolis, Minnesota  
June 25, 2004

Minnesota State Senate

STATEMENTS OF STATUS OF APPROPRIATIONS

Years ended June 30,

	<u>2003</u>	<u>2002</u>
Appropriation carryforward, beginning of year	\$ 4,417,463	\$ 1,536,986
Appropriation for the year:		
Original appropriation	22,918,000	24,021,000
Statutory reduction	(1,688,000)	(1,000,000)
Voluntary reduction	(903,000)	-
Other receipts for the year	<u>31,544</u>	<u>35,189</u>
Total appropriation and other receipts	20,358,544	23,056,189
Expenditures for the year	<u>(20,636,546)</u>	<u>(20,175,712)</u>
Appropriation carryforward, end of year		
Reserved	4,139,461	1,517,679
Unreserved	<u>-</u>	<u>2,899,784</u>
	<u>\$ 4,139,461</u>	<u>\$ 4,417,463</u>

The accompanying notes are an integral part of these financial statements.

Minnesota State Senate

STATEMENTS OF EXPENDITURES

Years ended June 30,

	<u>2003</u>	<u>2002</u>
Salaries and Benefits:		
Salaries – senators	\$ 2,125,120	\$ 2,118,707
Salaries – staff	11,097,550	11,077,600
MSRS and FICA, and other benefits	1,666,798	1,620,118
Insurance – staff	1,564,598	1,335,048
Insurance – senators	578,171	449,460
Unemployment compensation	62,907	22,164
Workers' compensation	<u>13,440</u>	<u>20,665</u>
	17,108,584	16,643,762
Services:		
Rents, leases and maintenance (includes copy equipment)	149,336	217,474
Employment and publicity advertisement	-	25,281
Furniture and maintenance repairs	48,316	27,590
Maintenance agreements	198,783	152,235
Printing	51,327	148,056
Micrographics	3,690	268
Consultant expense	30,763	43,818
EDP-ISB	17,094	20,284
EDP-software	208,770	57,430
EDP-development (includes equipment)	680,326	478,442
Dry cleaning/carpet cleaning	358	784
Interns	<u>45,100</u>	<u>34,315</u>
	1,433,863	1,205,977
Subsistence:		
Postage	92,940	116,250
Telephones	311,726	326,529
Delivery service	752	947
Mailing service	562	9,794
Mileage	127,841	159,782
In-state travel/lodging	267,982	281,605
Per diem	642,772	562,464
Registration	7,925	43,637
State vehicle	512	972
Out-state travel	5,268	104,248
Tuitions/memberships/admissions/fees	<u>191,015</u>	<u>30,386</u>
	1,649,295	1,636,614

Minnesota State Senate

STATEMENTS OF EXPENDITURES – CONTINUED

Years ended June 30,

	<u>2003</u>	<u>2002</u>
Furniture, Supplies, Equipment and Capital Outlay:		
Video	\$ 194,928	\$ 342,290
Photographic	4,084	25,841
Furniture and equipment	18,747	34,826
Capital outlay	4,707	45,012
Office supplies/stationery	111,812	141,894
Newspaper and publications	32,398	48,500
Water and coolers	18,207	18,606
Cleaning supplies	-	169
Miscellaneous	<u>59,921</u>	<u>32,221</u>
	<u>444,804</u>	<u>689,359</u>
	<u>\$20,636,546</u>	<u>\$20,175,712</u>

The accompanying notes are an integral part of these financial statements.



**Minnesota State Senate**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2003 and 2002**

**NOTE A – FINANCIAL REPORTING ENTITY**

The Minnesota State Senate (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 State's 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.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Senate conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of significant accounting policies:

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. Unspent appropriations not carried forward and unencumbered at the end of a biennium shall be returned to the fund from which appropriated (see note E). The Senate's expenditures are classified according to State administrative guidelines.

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.

**Minnesota State Senate**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**June 30, 2003 and 2002**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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. Exceptions to this general rule are for accumulated unpaid vacation and sick leave, which is not recognized until paid (see note D).

Disbursement of Funds

Senate funds are disbursed by the State's Department of Finance.

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 Rules and Administration Committee 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 appropriated unless supplemental appropriations are approved by the State Commissioner of Finance or unspent appropriations carried forward from previous years are available.

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 up to a maximum of 275 hours and a percentage of their accumulated sick leave depending upon length of State service and the nature of their severance (voluntary or involuntary).

**Minnesota State Senate**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**June 30, 2003 and 2002**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Fixed Assets

Fixed asset acquisitions, consisting of furniture and equipment, 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.

Accounting Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of status of appropriations at the date of the financial statements, the reported amounts of appropriations and other receipts and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C – RETIREMENT PLANS**

- (a) Except as described below, Senators are covered by the Legislative Retirement Plan, a defined benefit plan established and administered in accordance with Minnesota Statutes Chapter 3A, which is administered by the Minnesota State Retirement System (MSRS). 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. In fiscal year 2000, this Plan was amended to serve only existing members. No new participants are allowed. New Senators are covered by the Unclassified Retirement Plan described below.
- (b) All permanent employees and members of the Senate are covered by the Unclassified Retirement Plan, a defined contribution plan, established by Minnesota Statutes Chapter 352D, which is also administered by MSRS. Employees contributed 4% of their salaries and the Senate contributed 6% of salaries each year to the plan. The employees' and Senate's contributions were \$501,275 and \$751,912 in 2003 and \$492,974 and \$739,461 in 2002. The Senate made all required contributions.



Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2003 and 2002

**NOTE C – RETIREMENT PLANS – Continued**

- (c) The permanent employees and members of the Senate are eligible to participate in the Senate's deferred compensation plan as permitted by Minnesota statutes. Eligible employees may elect to have a percentage of their pay contributed to the plan. Contributions are invested in MSRS or qualifying annuity contracts selected by plan participants. Eligible employees can elect to contribute up to 40 hours of vacation pay to the plan or have the Senate match the first \$300 contributed to the plan each fiscal year. Employee contributions for 2003 and 2002 were \$731,526 and \$678,832. The vacation pay and Senate matching contributions totaled \$85,680 and \$102,047 for the fiscal years ended June 30, 2003 and 2002. The Senate made all required matching contributions.

**NOTE D – COMPENSATED ABSENCES**

The Senate's liability for unpaid vacation and sick leave is reported in the State's basic financial statements. The Senate recognizes expenses for compensated absences as they are paid.

The accrued liabilities at June 30 for vacation and sick leave, which would be payable as severance pay, are as follows:

	<u>2003</u>	<u>2002</u>
Vacation	\$ 885,998	\$ 896,131
Sick leave	<u>903,122</u>	<u>912,365</u>
	<u>\$1,789,120</u>	<u>\$1,808,496</u>



Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2003 and 2002

**NOTE E – RECONCILIATION OF SENATE STATEMENTS TO DEPARTMENT OF FINANCE BUDGETARY REPORTS**

The accompanying financial statements 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:

	<u>Department of Finance reports</u>	<u>Accrual basis adjustments</u>	<u>Senate financial statements</u>
Appropriation carryforward to fiscal year 2002 – Reserved	\$ 1,867,660	\$(330,674)	\$ 1,536,986
Appropriation	24,021,000	-	24,021,000
Statutory appropriation reduction	(1,000,000)	-	(1,000,000)
Other receipts	35,189	-	35,189
Expenditures	<u>(20,069,336)</u>	<u>(106,376)</u>	<u>(20,175,712)</u>
Appropriation carryforward			
Reserved	1,848,353	(330,674)	1,517,679
Unreserved	<u>3,006,160</u>	<u>(106,376)</u>	<u>2,899,784</u>
Appropriation carryforward to fiscal year 2003	4,854,513	(437,050)	4,417,463
Appropriation	22,918,000	-	22,918,000
Statutory appropriation reduction	(1,688,000)	-	(1,688,000)
Voluntary appropriation reduction	(903,000)	-	(903,000)
Other receipts	31,544	-	31,544
Expenditures	<u>(20,557,379)</u>	<u>(79,167)</u>	<u>(20,636,546)</u>
Appropriation carryforward to fiscal year 2004 – Reserved	<u>\$ 4,655,678</u>	<u>\$(516,217)</u>	<u>\$ 4,139,461</u>

**Minnesota State Senate**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**June 30, 2003 and 2002**

**NOTE E – RECONCILIATION OF SENATE STATEMENTS TO DEPARTMENT OF FINANCE BUDGETARY REPORTS – Continued**

Under Minnesota State Law 16A.281, an appropriation, if not spent during the first year, may be spent during the second year of a biennium. The unreserved appropriation carryforward at June 30, 2002 represents the remainder of the 2002 appropriation. An unexpended appropriation balance not carried forward and remaining unexpended and unencumbered at the end of the biennium shall be returned to the fund from which appropriated. Balances carried forward into the next biennium are to be credited to special accounts to be used for non-recurring expenditures on investments that enhance efficiency or improve effectiveness; to pay expenses associated with special session, interim activities, public hearings, or public outreach efforts and related activities; and to pay severance costs of involuntary terminations. The unexpended and unencumbered fund balances credited to the special accounts are as follows:

	June 30,	
	2003	2002
Investment expenditures	\$2,439,461	\$ 736,986
Special session, interim activity, public hearings and public outreach costs	200,000	80,693
Severance costs	<u>1,500,000</u>	<u>700,000</u>
	<u>\$4,139,461</u>	<u>\$1,517,679</u>

**NOTE F – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*, which establishes financial reporting requirements for state and local governments. GASB 34 establishes that the basic financial statements and required supplementary information for general purpose governments should consist of:

- management discussion and analysis
- basic financial statements (government-wide financial statements, fund financial statements, and notes to the financial statements)
- required supplementary information

**Minnesota State Senate**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**June 30, 2003 and 2002**

**NOTE F – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS – Continued**

Additionally, the GASB has issued three related statements: GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 41, *Budgeting Comparison Schedules – Perspective Differences* – and amendment of GASB Statement No. 34.

These pronouncements apply to the State of Minnesota financial statements. The effects of implementing these pronouncements on the financial statements of the Senate, if any, have not been determined.

**STATISTICAL INFORMATION  
(UNAUDITED)**



Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES

Years ended June 30,  
(Unaudited)

Description	2003	2002	2001	2000
<b>Salaries and Benefits:</b>				
Salaries – senators	\$ 2,125,120	\$ 2,118,707	\$ 2,122,106	\$ 2,111,546
Salaries – staff	11,031,182	10,973,654	11,153,590	10,509,778
MSRS and FICA, and other benefits	1,650,320	1,605,564	1,571,978	1,444,021
Insurance – staff	1,543,378	1,347,942	1,180,995	1,035,510
Insurance – senators	578,171	449,460	450,861	337,763
Unemployment compensation	62,907	22,164	24,848	14,233
Workers' compensation	13,440	20,665	30,451	23,792
	<u>17,004,518</u>	<u>16,538,156</u>	<u>16,534,829</u>	<u>15,476,643</u>
<b>Services:</b>				
Rents, leases, and maintenance (includes copy equipment)	149,336	217,474	176,545	202,873
Employment and publicity advertisement	-	25,281	40,626	41,132
Furniture and maintenance repairs	48,316	27,590	62,147	51,390
Maintenance agreements	198,783	162,136	220,670	200,966
Printing	51,327	148,056	307,435	181,443
Micrographics	3,690	268	2,431	139
Consultant expense	30,763	43,818	59,431	46,347
EDP – ISB	17,094	20,284	20,469	24,413
EDP – software	208,770	57,430	41,021	35,198
EDP – development (includes equipment)	680,326	478,442	170,923	606,656
Dry cleaning/carpet cleaning	358	784	662	891
Interns	45,100	34,315	32,869	27,125
	<u>1,433,863</u>	<u>1,215,878</u>	<u>1,135,229</u>	<u>1,418,573</u>

Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES – CONTINUED

Years ended June 30,  
(Unaudited)

Description	2003	2002	2001	2000
<b>Subsistence:</b>				
Postage	\$ 92,940	\$ 116,250	\$ 171,697	\$ 129,558
Telephones	338,894	326,529	321,132	330,834
Delivery service	752	947	1,168	1,050
Mailing service	562	9,794	11,189	8,754
Mileage	127,841	159,782	120,685	147,467
In-state travel/lodging	267,982	281,605	249,849	215,777
Per diem	642,772	562,464	677,913	456,768
Registration	7,925	43,637	85,546	62,594
State vehicle	512	972	920	2,353
Out-state travel	5,268	104,248	137,691	129,398
Tuitions/memberships/admissions/fees	<u>191,015</u>	<u>30,386</u>	<u>106,883</u>	<u>39,291</u>
	1,676,463	1,636,614	1,884,673	1,523,844
<b>Furniture, Supplies, Equipment and Capital Outlay:</b>				
Video	181,988	342,290	81,687	1,178,978
Photographic	4,084	25,841	37,420	34,330
Furniture and equipment	29,418	24,155	68,604	36,246
Capital outlay	4,707	45,012	29,888	11,777
Office supplies/stationery	111,812	141,894	175,196	153,213
Newspaper and publications	32,398	48,500	57,772	46,447
Water and coolers	18,207	18,606	20,617	15,648
Cleaning supplies	-	169	98	1,951
Miscellaneous	<u>59,921</u>	<u>32,221</u>	<u>49,539</u>	<u>42,834</u>
	<u>442,535</u>	<u>678,688</u>	<u>520,821</u>	<u>1,521,424</u>
	20,557,379	20,069,336	20,075,552	19,940,484
Accrual basis adjustments	<u>79,167</u>	<u>106,376</u>	<u>69,816</u>	<u>(68,772)</u>
	<u>\$20,636,546</u>	<u>\$20,175,712</u>	<u>\$20,145,368</u>	<u>\$19,871,712</u>

**OTHER REQUIRED REPORTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Secretary of the Senate  
Minnesota State Senate

We have audited the statements of status of appropriations and expenditures of the Minnesota State Senate (Senate) as of and for the year ended June 30, 2003, and have issued our report thereon June 25, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Senate's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of the Senate in a separate letter dated June 25, 2004.



Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Senate'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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, we noted other matters involving the control over financial reporting, which we have reported to the management of the Senate in a separate letter dated June 25, 2004.

This report is intended solely for the information and use of management and the Minnesota State Senate and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Grant Thornton", is written in dark ink on the right side of the page.

Minneapolis, Minnesota  
June 25, 2004

June 25, 2004

Secretary of the Senate  
Minnesota State Senate

Ladies and Gentlemen:

Professional standards require that we advise you of the following matters relating to our recently concluded audit on which we reported under date of June 25, 2004.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated June 21, 2004, our responsibility, as prescribed by auditing standards generally accepted in the United States of America promulgated by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* issued by the Comptroller General of the United States, is to plan and perform our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. An audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors, fraud, or noncompliance with the provisions of laws, regulations, contracts and grants, if existing, have not been detected. Such standards require that we obtain a sufficient understanding of Minnesota State Senate's internal control structure to plan the audit. However, such understanding and any tests performed with respect to such internal controls, or as to compliance with laws, regulations, contracts and grants, were for the purpose of expressing our opinion on Minnesota State Senate's financial statements and not to opine or provide any assurance concerning such internal control structure or compliance. We could, however, as a separate engagement, be engaged to perform agreed-upon procedures or examine and report on management's written assertion about that internal control structure or that management complied with specified laws and regulations. Such engagements would be conducted in accordance with AICPA standards for attestation engagements.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments which were not recorded by the Senate because they are not material to the current financial statements but might be potentially material to future financial statements. As part of our audit procedures, we made adjustments to the Senate's budgetary-based records for purposes of presenting statements in accordance with accounting principles generally accepted in the United States of America for governmental entities. These adjustments are summarized in note E to the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter which could be significant to the Senate's financial statements or the audit report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Accountants

Management has informed us that they have not consulted with other accountants during the year about auditing and accounting matters.

\* \* \* \* \*

We will be pleased to meet with you at your convenience should you desire further information concerning these matters.

This letter is intended solely for the information and use of management and the Minnesota State Senate and is not intended to be and should not be used by any one other than these specified parties.

Very truly yours,



**MEMORANDUM OF ADVISORY COMMENTS**



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Secretary of the Senate  
Minnesota State Senate

In connection with our audit of the financial statements of the Minnesota State Senate as of June 30, 2003, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

The accompanying comments summarize our comments and suggestions. We have previously discussed our comments and suggestions with management personnel of the Senate and would be pleased to discuss them further.



Minneapolis, Minnesota  
June 25, 2004

## **CURRENT YEAR COMMENTS**

### **EXPENDITURE CUT-OFF**

During the current year, we noted three instances where payments for goods and services were not recorded in the proper fiscal year. All payments related to communications services.

We recommend the Senate review its controls and procedures to that ensure invoices are recorded in the proper fiscal year.

### **PREPARATION OF FINANCIAL STATEMENTS**

As discussed in Note F to the financial statements, there have been a number of significant changes implemented related to financial statements for governmental entities. To date, the Department of Finance has not communicated additional disclosure or accounting requirements to the Senate related to preparation of the Senate's financial statements.

Nonetheless, we recommend the Senate be aware of these requirements and be prepared to implement changes, if any, so that its financial statements comply with State of Minnesota guidelines.

## **STATUS OF PRIOR YEAR COMMENTS**

### **SENATOR PHONE BILLS**

In 1994, a law was implemented requiring each Senator to sign his or her monthly long distance telephone bills as evidence of approval. During our prior year (2002) review of telephone bills and the log kept of those bills distributed to the Senators and their assistants for approval, we identified phone bills for several Senators that were not returned with a signature. Again in the current year review (2003) of telephone bills and the log kept of those bills distributed to the Senators and their assistants for approval, we identified phone bills for two Senators (one month per Senator) that were not returned with a signature. The Senate was able to obtain both signed phone bills within days after our testing was performed.

We continue to recommend the Senate maintain a control over these bills so they are received after approval, prior to reimbursement.

### **VACATION AND SICK LEAVE CALCULATIONS**

In the prior year, we noted one instance where the Senate had incorrectly deducted employees' vacation/sick leave due to miscalculations in manual records, even though a new automated payroll system had been implemented. In the current year we noted one instance of a miscalculation which resulted from the payroll clerk recalculating the wrong number of hours used in a specified pay period. Both the manual and automated logs were miscalculated.

We continue to recommend Senate personnel perform periodic checks of the automated system by verifying the activity in an individual's accrual to supporting documentation (such as time-sheets). The periodic check will help to ensure the completeness of the accrual. We also recommend manual calculation of the vacation/sick accrual be discontinued.



**PATRICK E. FLAHAVEN**

Secretary of the Senate

August 23, 2004

**Senate**

State of Minnesota

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Our response to the comments contained in the FY03 Audit is described below.

**EXPENDITURE CUT-OFF**

We will follow the recommendation. The errors in three transactions referred to may have been caused by a transition in staff at the time.

**PREPARATION OF FINANCIAL STATEMENTS**

If the new requirements apply to the Senate's transactions, we will work with the Department of Finance and implement them.

**STATUS OF PRIOR YEAR COMMENTS**

**SENATOR PHONE BILLS**

We will continue to work with the Senators and the staff to obtain the required records.

**VACATION AND SICK LEAVE CALCULATIONS**

We will continue to perform periodic checks of the automated system. The manual system has some advantages over the automated system and can serve as a check on the automated system; we plan to run both systems until we no longer have a use for the manual system.

  
Patrick E. Flahaven  
Secretary of the Senate

PEF/mc