

**MINNESOTA STATE SENATE**

**FINANCIAL STATEMENTS**

June 30, 2009 and 2008



BAKER TILLY

# MINNESOTA STATE SENATE

## TABLE OF CONTENTS

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### FINANCIAL SECTION

Independent Auditors' Report	1 – 2
Financial Statements	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	4
Statements of Expenditures	5 – 6
Notes to Financial Statements	7 – 12

### STATISTICAL INFORMATION (UNAUDITED)

Comparative Schedule of Expenditures	13 – 14
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### OTHER REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 – 16
Schedule of Findings and Responses	17

**FINANCIAL SECTION**





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## INDEPENDENT AUDITORS' REPORT

Minnesota State Senate  
State of Minnesota  
St. Paul, Minnesota

We have audited the accompanying balance sheets, statements of revenue, expenditures, and changes in fund balance – budget and actual, and statements of expenditures of the Minnesota State Senate, State of Minnesota for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Senate's management. Our responsibility is to express an opinion on the 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 audits 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1B, the financial statements of the Minnesota State Senate, which is a department of the general fund of the State of Minnesota, are intended to present the financial position, and the change in financial position of only that portion of the general fund of the State of Minnesota that is attributable to the transactions of the Minnesota State Senate. They do not purport to and do not present fairly the financial position of the State of Minnesota as of June 30, 2009 and 2008 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Senate, State of Minnesota as of June 30, 2009 and 2008 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Minnesota State Senate, State of Minnesota, has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not required to be part of, the financial statements.

Minnesota State Senate  
St. Paul, Minnesota

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009 on our consideration of the Minnesota State Senate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Minnesota State Senate. The information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Baker Tilly Vuchow Kanne, LLP

Minneapolis, Minnesota  
December 3, 2009

MINNESOTA STATE SENATE

BALANCE SHEETS  
June 30, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Unliquidated appropriation	\$ 2,197,337	\$ 3,553,257
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable and accrued expenditures	\$ 438,588	\$ 484,311
Fund Balance		
Reserved	1,758,749	1,244,540
Unreserved		
Designated	-	909,344
Undesignated	-	915,062
Total Fund Balance	<u>1,758,749</u>	<u>3,068,946</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,197,337</u>	<u>\$ 3,553,257</u>

**MINNESOTA STATE SENATE**

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Years Ended June 30, 2009 and 2008

	2009			2008		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
General appropriation	\$ 22,967,000	\$ 22,967,000	\$ -	\$ 25,820,000	\$ 25,820,000	\$ -
Total Revenues	<u>22,967,000</u>	<u>22,967,000</u>	<u>-</u>	<u>25,820,000</u>	<u>25,820,000</u>	<u>-</u>
<b>EXPENDITURES</b>						
Current						
Salaries and benefits	19,877,149	19,763,658	113,491	19,963,200	19,217,274	745,926
Services	996,600	890,848	105,752	1,661,866	1,409,451	252,415
Subsistence	2,313,750	1,966,235	347,515	1,877,500	1,961,342	(83,842)
Furniture, supplies, equipment and capital outlay	1,093,719	856,456	237,263	1,339,035	1,223,447	115,588
Total Expenditures	<u>24,281,218</u>	<u>23,477,197</u>	<u>804,021</u>	<u>24,841,601</u>	<u>23,811,514</u>	<u>1,030,087</u>
<b>EXCESS OF REVENUE (EXPENDITURES)</b>	(1,314,218)	(510,197)	804,021	978,399	2,008,486	1,030,087
<b>OTHER FINANCING USES</b>						
Transfers out	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ (2,114,218)</u>	<u>(1,310,197)</u>	<u>\$ 804,021</u>	<u>\$ 978,399</u>	<u>1,758,486</u>	<u>\$ 780,087</u>
FUND BALANCE, Beginning of Year		<u>3,068,946</u>			<u>1,310,460</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 1,758,749</u>			<u>\$ 3,068,946</u>	

See accompanying notes to financial statements.

# MINNESOTA STATE SENATE

## STATEMENTS OF EXPENDITURES Years Ended June 30, 2009 and 2008

	2009	2008
<b>Salaries and Benefits:</b>		
Salaries - senators	\$ 2,101,412	\$ 2,111,397
Salaries - staff	12,781,667	12,420,586
MSRS and FICA, and other benefits	2,033,959	1,950,317
Insurance - staff	2,004,704	1,927,428
Insurance - senators	789,406	767,156
Unemployment compensation	35,981	24,666
Workers' compensation	16,529	15,724
Total Salaries and Benefits	19,763,658	19,217,274
<b>Services:</b>		
Rents, leases and maintenance (includes copy equipment)	59,316	55,788
Employment and publicity advertisement	375	255
Furniture and maintenance repairs	13,329	14,130
Maintenance agreements	114,507	199,294
Printing	39,605	20,153
Micrographics	1,247	-
Consultant	23,477	20,562
EDP-ISB	14,184	23,840
EDP-software	318,395	182,027
EDP-development (includes equipment)	233,076	838,245
Dry cleaning/carpet cleaning	358	342
Interns	72,979	54,815
Total Services	890,848	1,409,451
<b>Subsistence:</b>		
Postage	78,925	78,615
Communication	286,443	344,718
Delivery service	3,108	2,833
Mileage	211,400	228,548
In-state travel/lodging	352,200	365,180
Per diem	916,152	762,677
Registration	26,884	31,567
Out-state travel	47,405	96,400
Tuitions/memberships/admissions/fees	43,718	50,804
Total Subsistence	1,966,235	1,961,342



# MINNESOTA STATE SENATE

## STATEMENTS OF EXPENDITURES Years Ended June 30, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
Furniture, Supplies, Equipment and Capital Outlay:		
Video	\$ 241,295	\$ 972,346
Photographic	7,902	18,079
Furniture and equipment	14,846	15,318
Capital outlay	401,736	32,565
Office supplies/stationery	120,776	98,718
Newspaper and publications	26,418	25,756
Water and coolers	14,726	15,597
Miscellaneous	<u>28,757</u>	<u>45,068</u>
Total Furniture, Supplies, Equipment and Capital Outlay	<u>856,456</u>	<u>1,223,447</u>
 TOTAL	 <u>\$ 23,477,197</u>	 <u>\$ 23,811,514</u>

# MINNESOTA STATE SENATE

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ***A. 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 of the State of Minnesota (the State) and its people, and proposing amendments to the State constitution.

#### ***B. Basis of Presentation and Basis of Accounting***

The Minnesota State Senate is part of the general fund of the State of Minnesota. The general fund appropriations for the Senate, the use of the appropriations, and the balances of current expendable resources and related current liabilities are reported in the financial statements. Noncurrent assets and liabilities resulting from agency activities are assets and liabilities of the State of Minnesota as a whole and are not included in this report.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of the Minnesota State Senate have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The State of Minnesota general fund appropriations to the Senate for the fiscal years ended June 30, 2009 and 2008 have been recorded as revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay and other employee benefits, which are recorded as expenditures when they are paid.

The unspent portion of the appropriation may be 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 balance sheet. Unspent appropriations not carried forward and unencumbered at the end of a biennium shall be returned to the fund from which appropriated (see Note 4). The Senate's expenditures are classified according to the State administrative guidelines. Senate funds are disbursed by Minnesota Management and Budget.

#### ***C. Measurement Focus***

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences, and pension contributions which will not be currently liquidated using expendable available financial resources are not recorded as expenditures or current liabilities. The related expenditures are recognized when the liabilities are liquidated.

# MINNESOTA STATE SENATE

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *D. 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 must be approved by the Senate Finance Committee, the Senate and the State House of Representatives, and signed by the Governor. The approved budget is submitted to Minnesota Management and Budget 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 enacted into law or unspent appropriations carried forward from previous years are available.

The budget is prepared in accordance with generally accepted accounting principles. Budgetary control is at the appropriation level. Unexpended appropriations from the first year (year ended June 30, 2008) of the biennium are carried over and are available for operations in the second year (year ended June 30, 2009) of the biennium.

#### *E. Compensated Absences*

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).

#### *F. Capital Assets*

Capital asset acquisitions, consisting of furniture and equipment, are recorded as expenditures, consistent with the procedures for governmental fund-type accounting. These capital assets are property of the State of Minnesota and are reported in the State's basic financial statements.

#### *G. 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.

# MINNESOTA STATE SENATE

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *H. Equity Classifications*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year's budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. See Notes 4 and 5 for further discussion.

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### NOTE 2 – RETIREMENT PLANS

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Senators first elected before July 1, 1997, may have chosen to be covered by the Legislators 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). Covered Senators contribute nine percent of their salaries to the plan. These contributions are deposited into the State's General Fund. Upon retirement of a covered senator, an amount equal to the present value of future benefits to be paid to that senator is 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. Senators first elected to either house of the legislature on or after July 1, 1997, are covered by the Minnesota Unclassified Employees Retirement Program described below.

All permanent employees, and members of the Senate not covered by the Legislators Retirement Plan, are covered by the Minnesota Unclassified Employees Retirement Program, a defined contribution plan established by Minnesota Statutes Chapter 352D, which is also administered by MSRS. Employees contributed 4% or 4.5% of their salaries and the Senate contributed 6% or 4.5% of salaries each year, depending on the plan the employee or member is covered under.

The employees' and Senate's contributions were \$553,458 and \$825,390, respectively, in 2009; \$536,650 and \$800,020, respectively, in 2008; \$529,848 and \$793,000, respectively, in 2007; and \$463,104 and \$693,227, respectively, in 2006. The Senate made all required contributions.

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 portion of their pay contributed to the plan. Contributions are invested in 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 \$750 contributed to the plan for the calendar year. The Senate made all required matching contributions. The following is a summary of contributions:

	2009	2008
Employee contributions	\$ 860,335	\$ 867,783
Vacation contributions	28,004	45,714
Matching contributions	94,213	68,086

**MINNESOTA STATE SENATE**

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

**NOTE 3 – 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, 2009 and 2008 for vacation and sick leave, which would be payable as severance pay, are as follows:

	<u>2009</u>	<u>2008</u>
Vacation	\$ 1,181,996	\$ 1,116,284
Sick Leave	<u>1,106,188</u>	<u>1,062,651</u>
 Total	 <u>\$ 2,288,184</u>	 <u>\$ 2,178,935</u>

**NOTE 4 – 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 Minnesota Management and Budget. The Senate statements are presented on the modified accrual basis and the Minnesota Management and Budget 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 Minnesota Management and Budget. The following is a reconciliation of expenditures reported in the Senate statements to the expenditures included in the budgetary reports:

	<u>Minnesota Management and Budget Reports</u>	<u>Modified Accrual Basis Adjustments</u>	<u>Senate Financial Statements</u>
Appropriation carryforward to fiscal year 2008	\$ 1,494,537	\$ (184,077)	\$ 1,310,460
Appropriation	25,820,000	-	25,820,000
Expenditures	(23,705,780)	(105,734)	(23,811,514)
Transfers	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Appropriation carryforward			
Reserved	1,244,540	-	1,244,540
Unreserved	<u>2,114,217</u>	<u>(289,811)</u>	<u>1,824,406</u>
Appropriation carryforward to fiscal year 2009	<u>\$ 3,358,757</u>	<u>\$ (289,811)</u>	<u>\$ 3,068,946</u>

**MINNESOTA STATE SENATE**

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

**NOTE 4 – RECONCILIATION OF SENATE STATEMENTS TO DEPARTMENT OF  
FINANCE BUDGETARY REPORTS (cont.)**

	Minnesota Management and Budget Reports	Modified Accrual Basis Adjustments	Senate Financial Statements
Appropriation carryforward to fiscal year 2009	\$ 3,358,757	\$ (289,811)	\$ 3,068,946
Appropriation	22,967,000	-	22,967,000
Expenditures	(23,424,773)	(52,424)	(23,477,197)
Transfer	(800,000)	-	(800,000)
	<u>\$ 2,100,984</u>	<u>\$ (342,235)</u>	<u>\$ 1,758,749</u>
Appropriation carryforward to fiscal year 2010 - Reserved	<u>\$ 2,100,984</u>	<u>\$ (342,235)</u>	<u>\$ 1,758,749</u>

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, 2008 represents the remainder of the 2008 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 session, 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 at June 30, 2009 and 2008 are as follows:

	2009	2008
Investment expenditures	\$ 877,089	\$ 516,777
Session, interim activity, public hearings and public outreach costs	157,764	196,878
Severance costs	723,896	530,885
	<u>\$ 1,758,749</u>	<u>\$ 1,244,540</u>

**NOTE 5 – DESIGNATED FUND BALANCE**

During 2008, the Minnesota State Senate set aside \$2,780,000 of its appropriation for technology improvements. The unspent portion of these funds at June 30, 2008 was \$909,344 and is shown as designated fund balance on the balance sheet. There was no designated fund balance at June 30, 2009.



# MINNESOTA STATE SENATE

## NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

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### NOTE 6 – RISK MANAGEMENT

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The Minnesota State Senate is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Minnesota State Senate is self insured through the State of Minnesota for all types of losses. An administrative fee is paid annually for workers' compensation, but no other premiums are paid.

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### NOTE 7 – TRANSFERS OUT

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During the year ended June 30, 2009, the Minnesota State Senate transferred \$800,000 to the General Fund. The transfer represented the voluntary return of a portion of the Senate's operations budget in cooperation with the State's budget reduction plan.

During the year ended June 30, 2008, the Minnesota State Senate transferred \$250,000 to the Minnesota Legislative Coordinating Commission. This transfer was to pay expenses of the Joint Committee to Investigate the Bridge Collapse.

**STATISTICAL INFORMATION (UNAUDITED)**

## MINNESOTA STATE SENATE

### COMPARATIVE SCHEDULE OF EXPENDITURES Years Ended June 30, 2009, 2008, 2007, 2006, and 2005 (UNAUDITED)

	2009	2008	2007	2006	2005
<b>Salaries and Benefits:</b>					
Salaries - senators	\$ 2,101,412	\$ 2,111,397	\$ 2,110,654	\$ 2,098,556	\$ 2,115,763
Salaries - staff	12,781,667	12,420,586	11,007,770	10,758,587	11,132,948
MSRS and FICA, and other benefits	2,033,959	1,950,317	1,729,505	1,636,206	1,668,302
Insurance - staff	2,004,704	1,927,428	1,755,719	1,697,383	1,612,445
Insurance - senators	789,406	767,156	702,039	675,613	631,249
Unemployment compensation	35,981	24,666	59,891	17,268	21,354
Workers' compensation	16,529	15,724	12,177	11,100	16,537
<b>Total Salaries and Benefits</b>	<b>19,763,658</b>	<b>19,217,274</b>	<b>17,377,755</b>	<b>16,894,713</b>	<b>17,198,598</b>
<b>Services:</b>					
Rents, leases and maintenance (includes copy equipment)	59,316	55,788	48,128	71,415	194,662
Employment and publicity advertisement	375	255	7,884	3,752	4,010
Furniture and maintenance repairs	13,329	14,130	26,524	12,718	30,832
Maintenance agreements	114,507	199,294	122,371	144,434	171,234
Printing	39,605	20,153	50,936	29,251	45,736
Micrographics	1,247	-	1,378	-	2,191
Consultant	23,477	20,562	175,275	121,766	45,800
EDP-ISB	14,184	23,840	4,856	3,334	17,611
EDP-software	318,395	182,027	315,089	232,558	39,685
EDP-development (includes equipment)	233,076	838,245	99,843	105,861	392,765
Dry cleaning/carpet cleaning	358	342	312	177	343
Interns	72,979	54,815	68,208	32,257	42,410
<b>Total Services</b>	<b>890,848</b>	<b>1,409,451</b>	<b>920,804</b>	<b>757,523</b>	<b>987,279</b>
<b>Subsistence:</b>					
Postage	78,925	78,615	89,129	182,030	96,279
Communication	286,443	344,718	365,274	316,400	303,833
Delivery service	3,108	2,833	2,385	2,016	1,613
Mailing service	-	-	-	1,300	-
Mileage	211,400	228,548	146,545	194,670	168,146
In-state travel/lodging	352,200	365,180	323,821	284,747	288,986
Per diem	916,152	762,677	889,669	472,107	680,592
Registration	26,884	31,567	27,007	20,925	20,864
Out-state travel	47,405	96,400	70,438	53,114	9,511
Tuitions/memberships/admissions/fees	43,718	50,804	14,917	51,107	10,895
<b>Total Subsistence</b>	<b>1,966,235</b>	<b>1,961,342</b>	<b>1,929,185</b>	<b>1,578,416</b>	<b>1,580,719</b>

MINNESOTA STATE SENATE

COMPARATIVE SCHEDULE OF EXPENDITURES  
 Years Ended June 30, 2009, 2008, 2007, 2006, and 2005  
 (UNAUDITED)

	2009	2008	2007	2006	2005
Furniture, Supplies, Equipment and Capital Outlay:					
Video	\$ 241,295	\$ 972,346	\$ 266,990	\$ 176,282	\$ 41,623
Photographic	7,902	18,079	5,584	9,236	8,999
Furniture and equipment	14,846	15,318	49,820	33,343	110,331
Capital outlay	401,736	32,565	1,191	1,056	444,041
Office supplies/stationery	120,776	98,718	105,761	92,740	119,412
Newspaper and publications	26,418	25,756	27,488	24,324	26,652
Water and coolers	14,726	15,597	16,782	17,153	17,504
Cleaning supplies	-	-	239	-	160
Miscellaneous	28,757	45,068	57,308	36,375	25,260
Total Furniture, Supplies, Equipment and Capital Outlay	856,456	1,223,447	531,163	390,509	793,982
TOTAL	\$ 23,477,197	\$ 23,811,514	\$ 20,758,907	\$ 19,621,161	\$ 20,560,578





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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Minnesota State Senate  
State of Minnesota  
St. Paul, Minnesota

We have audited the financial statements of the Minnesota State Senate, State of Minnesota as of and for the year ended June 30, 2009 and 2008, and have issued our report thereon dated December 3, 2009. 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 of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Minnesota State Senate's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Senate's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Senate's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Senate's ability to initiate, authorize, record process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Senate's financial statements that is more than inconsequential will not be prevented or detected by the Senate's internal control over financial reporting. This deficiency is identified as item 09-01.



Minnesota State Senate  
St. Paul, Minnesota

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Senate's internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency identified above to be a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Minnesota State Senate's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

We noted certain matters that we reported to the management of the Minnesota State Senate, State of Minnesota, in a separate letter dated December 3, 2009.

The Senate's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Senate's response and accordingly, we express no opinion on it.

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

*Baker Tilly Vuchow Kanne, LLP*

Minneapolis, Minnesota  
December 3, 2009

# MINNESOTA STATE SENATE

## SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2009

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### FINANCIAL STATEMENT FINDINGS

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#### **09-01 Internal Control Over Financial Reporting**

*Criteria:* Statement on Auditing Standards (SAS) No. 112 requires us to report a material weakness if we are required to make material journal entries as part of the financial audit or if we are given the task of preparing annual financial statements and footnotes, rather than having those statements and footnotes prepared by Senate staff.

*Condition:* We were required to make material journal entries during the course of the audit and we were paid to prepare the Senate's financial statements.

*Effect:* The financial statements may not contain all of the required disclosures and account balances if not prepared by Senate staff. In addition, material errors (audit adjustments) could go undetected.

*Recommendation:* The Senate should develop an action plan to ensure that all material year-end adjustments are recorded by Senate staff prior to audit fieldwork and consider development of a time-line for preparation of its financial statements.

*Management's Response/Planned Corrective Action:* Because of the Senate's size, we do not feel it is cost effective to hire one or more employees with the experience and technical training to prepare our financial statements. Our financial staff continue to gain experience, but the Senate will continue to pay the auditors to prepare the Senate's financial statements.