MINNESOTA STATE SENATE

FINANCIAL STATEMENTS

June 30, 2007 and 2006

MINNESOTA STATE SENATE

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FINANCIAL SECTION

VirchowKrause & company

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, 2007 and 2006. 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, 2007 and 2006 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, 2007 and 2006 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 April 7, 2008 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.

Virchow Krause & Company, LLP

Minneapolis, Minnesota
April 7, 2008

MINNESOTA STATE SENATE

BALANCE SHEETS
June 30, 2007 and 2006

	2007	2006
ASSETS		
Unliquidated appropriation	$ 1,731,720	$ 1,609,249
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued expenditures	$ 421,260	$ 354,557
Fund Balance		
Reserved	1,310,460	1,254,692
TOTAL LIABILITIES AND FUND BALANCE	$ 1,731,720	$ 1,609,249

See accompanying notes to financial statements.

MINNESOTA STATE SENATE

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Years Ended June 30, 2007 and 2006

	2007			2006		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
REVENUES						
General appropriation	$ 20,654,000	$ 20,654,000	$ -	$ 17,965,000	$ 17,965,000	$ -
Other receipts	-	160,675	160,675	-	64,000	64,000
Total Revenues	20,654,000	20,814,675	160,675	17,965,000	18,029,000	64,000
EXPENDITURES						
Current						
Salaries and benefits	17,895,060	17,377,755	517,305	17,159,330	16,894,713	264,617
Services	931,440	920,804	10,636	776,150	757,523	18,627
Subsistence	1,694,995	1,929,185	(234,190)	1,346,600	1,578,416	(231,816)
Furniture, supplies, equipment and capital outlay	266,500	531,163	(264,663)	341,500	390,509	(49,009)
Total Expenditures	20,787,995	20,758,907	29,088	19,623,580	19,621,161	2,419
EXCESS OF REVENUE (EXPENDITURES)	(133,995)	55,768	189,763	(1,658,580)	(1,592,161)	66,419
OTHER FINANCING USES						
Transfers out	-	-	-	-	(1,750,000)	(1,750,000)
CHANGE IN FUND BALANCE	$ (133,995)	55,768	$ 189,763	$ (1,658,580)	(3,342,161)	$ (1,683,581)
FUND BALANCE, Beginning of Year		1,254,692			4,596,853	
FUND BALANCE, END OF YEAR		$ 1,310,460			$ 1,254,692	

See accompanying notes to financial statements.

MINNESOTA STATE SENATE

STATEMENTS OF EXPENDITURES
Years Ended June 30, 2007 and 2006

	2007	2006
Salaries and Benefits:		
Salaries - senators	$ 2,110,654	$ 2,098,556
Salaries - staff	11,007,770	10,758,587
MSRS and FICA, and other benefits	1,729,505	1,636,206
Insurance - staff	1,755,719	1,697,383
Insurance - senators	702,039	675,613
Unemployment compensation	59,891	17,268
Workers' compensation	12,177	11,100
Total Salaries and Benefits	17,377,755	16,894,713
Services:		
Rents, leases and maintenance (includes copy equipment)	48,128	71,415
Employment and publicity advertisement	7,884	3,752
Furniture and maintenance repairs	26,524	12,718
Maintenance agreements	122,371	144,434
Printing	50,936	29,251
Micrographics	1,378	-
Consultant	175,275	121,766
EDP-ISB	4,856	3,334
EDP-software	315,089	232,558
EDP-development (includes equipment)	99,843	105,861
Dry cleaning/carpet cleaning	312	177
Interns	68,208	32,257
Total Services	920,804	757,523
Subsistence:		
Postage	89,129	182,030
Communication	365,274	316,400
Delivery service	2,385	2,016
Mailing service	-	1,300
Mileage	146,545	194,670
In-state travel/lodging	323,821	284,747
Per diem	889,669	472,107
Registration	27,007	20,925
Out-state travel	70,438	53,114
Tuitions/memberships/admissions/fees	14,917	51,107
Total Subsistence	1,929,185	1,578,416

See accompanying notes to financial statements.

MINNESOTA STATE SENATE

STATEMENTS OF EXPENDITURES
Years Ended June 30, 2007 and 2006

	2007	2006
Furniture, Supplies, Equipment and Capital Outlay:		
Video	$ 266,990	$ 176,282
Photographic	5,584	9,236
Furniture and equipment	49,820	33,343
Capital outlay	1,191	1,056
Office supplies/stationery	105,761	92,740
Newspaper and publications	27,488	24,324
Water and coolers	16,782	17,153
Cleaning supplies	239	-
Miscellaneous	57,308	36,375
Total Furniture, Supplies, Equipment and Capital Outlay	531,163	390,509
TOTAL	$ 20,758,907	$ 19,621,161

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2007 and 2006 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 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 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 the State's Department of Finance.

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.

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

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 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, and signed by the Governor. 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.

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, 2006) of the biennium are carried over and are available for operations in the second year (year ended June 30, 2007) 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.

NOTE 2 – RETIREMENT PLANS

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 Retirement Plan described below.

All permanent employees and members of the Senate are covered by one of the defined contribution plans, established by Minnesota Statutes Chapter 352D, which is also administered by MSRS. Employees contributed 4% of their salaries and the Senate contributed 6% or 4% of salaries each year depending on the plan the employee or member is covered under.

The employees' and Senate's contributions were $529,848 and $793,000, respectively, in 2007; $463,104 and $693,227, respectively, in 2006; $451,938 and $679,574, respectively, in 2005; and $431,444 and $645,097, respectively, in 2004. 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 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 calendar year. Employee contributions for 2007 and 2006 were $790,243 and $859,432, respectively. The vacation pay and Senate matching contributions totaled $39,499 and $58,645, respectively, for the fiscal year ended June 30, 2007 and $42,619 and $52,454, respectively, for the fiscal year ended June 30, 2006. The Senate made all required matching contributions.

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, 2007 and 2006 for vacation and sick leave, which would be payable as severance pay, are as follows:

	2007	2006
Vacation	$ 920,204	$ 894,773
Sick Leave	927,938	914,138
	$ 1,848,142	$ 1,808,911

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 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	Modified Accrual Basis Adjustments	Senate Financial Statements
Appropriation carryforward to fiscal year 2006 - Reserved	$ 5,145,208	$ (548,355)	$ 4,596,853
Appropriation	17,965,000	-	17,965,000
Other receipts	64,000	-	64,000
Expenditures and transfers	(21,753,224)	382,063	(21,371,161)
Appropriation carryforward			
Reserved	1,287,028	(32,336)	1,254,692
Unreserved	133,956	(133,956)	-
Appropriation carryforward to fiscal year 2007	1,420,984	(166,292)	1,254,692
Appropriation	20,654,000	-	20,654,000
Other receipts	160,675	-	160,675
Expenditures	(20,741,122)	(17,785)	(20,758,907)
Appropriation carryforward to fiscal year 2008 - Reserved	$ 1,494,537	$ (184,077)	$ 1,310,460

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

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, 2006 represents the remainder of the 2006 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, 2007 and 2006 are as follows:

	2007	2006
Investment expenditures	$ 516,777	$ 930,558
Severance costs	262,798	-
Session, interim activity, public hearings and public outreach costs	530,885	324,134
	$ 1,310,460	$ 1,254,692

NOTE 5 – RISK MANAGEMENT

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.

NOTE 6 – TRANSFERS OUT

During the year ended June 30, 2006, the Minnesota State Senate transferred $1,750,000 to the State's general fund. This was a cancellation of the Senate's accumulated carryforward account balance, per the appropriations legislation. No transfers were made during the year ended June 30, 2007.

STATISTICAL INFORMATION (UNAUDITED)

MINNESOTA STATE SENATE

COMPARATIVE SCHEDULE OF EXPENDITURES
Years Ended June 30, 2007, 2006, 2005, 2004, and 2003
(UNAUDITED)

	2007	2006	2005	2004	2003
Salaries and Benefits:					
Salaries - senators	$ 2,110,654	$ 2,098,556	$ 2,115,763	$ 2,117,599	$ 2,125,120
Salaries - staff	11,007,770	10,758,587	11,132,948	9,812,446	11,097,550
MSRS and FICA, and other benefits	1,729,505	1,636,206	1,668,302	1,474,649	1,666,798
Insurance - staff	1,755,719	1,697,383	1,612,445	1,378,475	1,564,598
Insurance - senators	702,039	675,613	631,249	578,721	578,171
Unemployment compensation	59,891	17,268	21,354	28,641	62,907
Workers' compensation	12,177	11,100	16,537	14,122	13,440
Total Salaries and Benefits	17,377,755	16,894,713	17,198,598	15,404,653	17,108,584
Services:					
Rents, leases and maintenance (includes copy equipment)	48,128	71,415	194,662	234,954	149,336
Employment and publicity advertisement	7,884	3,752	4,010	-	-
Furniture and maintenance repairs	26,524	12,718	30,832	22,331	48,316
Maintenance agreements	122,371	144,434	171,234	189,878	198,783
Printing	50,936	29,251	45,736	26,625	51,327
Micrographics	1,378	-	2,191	23	3,690
Consultant	175,275	121,766	45,800	18,563	30,763
EDP-ISB	4,856	3,334	17,611	9,936	17,094
EDP-software	315,089	232,558	39,685	47,064	208,770
EDP-development (includes equipment)	99,843	105,861	392,765	199,438	680,326
Dry cleaning/carpet cleaning	312	177	343	310	358
Interns	68,208	32,257	42,410	43,226	45,100
Total Services	920,804	757,523	987,279	792,348	1,433,863
Subsistence:					
Postage	89,129	182,030	96,279	97,244	92,940
Communication	365,274	316,400	303,833	203,437	311,726
Delivery service	2,385	2,016	1,613	8,067	752
Mailing service	-	1,300	-	-	562
Mileage	146,545	194,670	168,146	164,455	127,841
In-state travel/lodging	323,821	284,747	288,986	294,546	267,982
Per diem	889,669	472,107	680,592	518,214	642,772
Registration	27,007	20,925	20,864	17,728	7,925
State vehicle	-	-	-	-	512
Out-state travel	70,438	53,114	9,511	15,267	5,268
Tuitions/memberships/admissions/fees	14,917	51,107	10,895	21,814	191,015
Total Subsistence	1,929,185	1,578,416	1,580,719	1,340,772	1,649,295

MINNESOTA STATE SENATE

COMPARATIVE SCHEDULE OF EXPENDITURES
Years Ended June 30, 2007, 2006, 2005, 2004, and 2003
(UNAUDITED)

	2007	2006	2005	2004	2003
Furniture, Supplies, Equipment and Capital Outlay:					
Video	$ 266,990	$ 176,282	$ 41,623	$ 22,171	$ 194,928
Photographic	5,584	9,236	8,999	9,220	4,084
Furniture and equipment	49,820	33,343	110,331	14,737	18,747
Capital outlay	1,191	1,056	444,041	96,059	4,707
Office supplies/stationery	105,761	92,740	119,412	96,529	111,812
Newspaper and publications	27,488	24,324	26,652	17,372	32,398
Water and coolers	16,782	17,153	17,504	16,112	18,207
Cleaning supplies	239	-	160	-	-
Miscellaneous	57,308	36,375	25,260	25,672	59,921
Total Furniture, Supplies, Equipment and Capital Outlay	531,163	390,509	793,982	297,872	444,804
TOTAL	$ 20,758,907	$ 19,621,161	$ 20,560,578	$ 17,835,645	$ 20,636,546

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 *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, 2007 and 2006, and have issued our report thereon dated April 7, 2008. 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 07-01.

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 April 7, 2008.

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.

Virchow Krause & Company, LLP

Minneapolis, Minnesota
April 7, 2008

MINNESOTA STATE SENATE

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2007

FINANCIAL STATEMENT FINDINGS

07-01 Internal Control Documentation and Financial Reporting

Criteria: Statement on Auditing Standards (SAS) No. 112 requires us to report a material weakness if either of these two factors are relevant for the Minnesota State Senate 1) The Senate does not have complete documentation of its system of internal control, or 2) The auditor prepares the annual financial statements and footnotes.

Condition: The Senate does not have complete documentation of its system of internal controls. In addition, the Senate relied on its external auditor's to draft the financial statements.

Effect: Without such documentation, you may not be able to record and report your financial information in the event key personnel leave Senate employment or are otherwise unable to fulfill their job responsibilities. In addition, the accounting records and financial statements may contain material errors or omissions.

Recommendation: We recommend that the Senate begin to complete documentation of its internal controls over all significant, finance-related areas during 2007-2008. Also, management should consider whether it wants to hire additional staff and/or arrange for significant additional training so that the Senate can draft its own financial statements and provide additional control over its financial reporting processes.

Management's Response/Planned Corrective Action: The Senate will plan to document its internal controls to the extent needed to meet the new auditing standard. Because of its size, the Senate does not feel it is cost effective to hire an employee(s) with the experience and technical training to prepare its financial statements.