

1 Department of Revenue

2

3 Adopted Permanent Rules Relating to Lawful Gambling; Annual

4 Audits and Reviews

5

6 Rules as Adopted

7 8122.0100 SCOPE; PURPOSE.

8 Minnesota Statutes, section 297E.06, subdivision 4,

9 mandates that the commissioner of revenue prescribe standards

10 for the annual audit and review of certain organizations

11 licensed to conduct lawful gambling in Minnesota. The purpose

12 of this chapter is to set minimum standards for these annual

13 audits and reviews.

14 8122.0150 DEFINITIONS.

15 Subpart 1. Scope. The terms used in this chapter are

16 defined in Minnesota Statutes, chapter 297E, unless separately

17 defined under this part.

18 Subp. 2. Accrual basis. "Accrual basis" means the method

19 of accounting in which revenue is recognized in the period

20 earned and expense is recognized in the period incurred.

21 Subp. 3. Audit. "Audit" means the examination of

22 accounting records with the expression of an opinion on whether

23 the financial statements of the organization present fairly, in

24 all material respects, the financial position, results of

25 operations, and its cash flows, in conformity with the

26 regulatory basis of accounting.

27 Subp. 4. Certified public accountant; CPA. "Certified

28 public accountant" or "CPA" means a person who is licensed as a

29 certified public accountant by the Minnesota Board of

30 Accountancy.

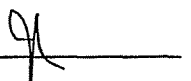
31 Subp. 5. Cash basis. "Cash basis" means the method of

32 accounting in which revenues are recognized when actually

33 received and expenses are recognized when actually disbursed.

34 Subp. 6. Ending inventory. "Ending inventory" means the

35 cost of unopened pull-tab and tipboard deals, paddlewheels,



1 unused bingo paper or sheets, and the cost of pull-tab,
2 tipboard, and paddlewheel games in play on the last day of the
3 month. Sales tax is excluded from ending inventory.

4 Subp. 7. Licensed public accountant; LPA. "Licensed
5 public accountant" or "LPA" means a person who is licensed as a
6 licensed public accountant by the Minnesota Board of Accountancy.

7 Subp. 8. Material weakness. "Material weakness" means a
8 reportable condition in which the design or operation of the
9 specific internal control structure elements do not reduce to a
10 relatively low level the risk that material errors or
11 irregularities could occur and not be detected within a timely
12 period by employees in the normal course of performing their
13 assigned functions.

14 Subp. 9. Regulatory basis. "Regulatory basis" means a
15 method of accounting other than generally accepted accounting
16 principles. All receipts, allowable expenses, and lawful
17 purpose expenditures are determined using the cash basis method
18 of accounting with the exception of the cost of the games and
19 taxes imposed under Minnesota Statutes, section 297E.02,
20 subdivisions 1 and 6 (ten percent tax and combined receipts
21 tax), which are recognized on the accrual basis method of
22 accounting.

23 Subp. 10. Reportable condition. "Reportable condition"
24 means significant deficiencies in the design or operation of the
25 internal control structure which could adversely affect the
26 organization's ability to record, process, summarize, and report
27 financial data consistent with the assertions of management in
28 the financial statements.

29 Subp. 11. Review. "Review" means the expression of a
30 limited assurance, based on performing inquiry and analytical
31 procedures, that there are no material modifications that should
32 be made to the financial statements for the statements to be in
33 conformity with the regulatory basis of accounting.

34 Subp. 12. Year. "Year," when used in defining an audit or
35 review period, means the organization's fiscal year used for
36 filing federal form 990 or 990-T (Unrelated Business Income Tax).

1 8122.0200 ACCOUNTANTS QUALIFICATIONS.

2 Subpart 1. License required. An accountant must be an
3 independent certified public accountant or independent licensed
4 public account in good standing with the Minnesota State Board
5 of Accountancy and licensed to practice in Minnesota.

6 Subp. 2. Standards of independence. The CPA and LPA shall
7 maintain objectivity and be free of the appearance of conflicts
8 of interest when discharging professional responsibilities
9 needed to perform the audit or review. CPAs and LPAs shall
10 adhere to the standards of objectivity and independence as
11 established in the American Institute of Certified Public
12 Accountants professional standards.

13 In addition, for purposes of this subpart, an individual
14 CPA or LPA who is a member of an organization, or the accounting
15 firm the individual belongs to, must not perform the
16 organization's annual audit or review if one or more of the
17 following occurred during the fiscal year:

18 A. the CPA or LPA was an employee of the
19 organization;

20 B. the CPA or LPA was an officer of the organization,
21 such as treasurer, executive director, chief executive officer,
22 gambling manager, or president;

23 C. the CPA or LPA served on the board of directors
24 for the organization;

25 D. the CPA or LPA served on a gambling committee or
26 other committee with oversight or decision-making authority over
27 gambling business transactions, other than in a member's
28 capacity to approve gambling business transactions presented at
29 monthly membership meetings as required under Minnesota
30 Statutes, chapter 349; or

31 E. in connection with the organization general fund,
32 gambling fund, or any other organization fund, the CPA or LPA
33 prepared or reconstructed accounting record source documents,
34 consummated transactions, had custody over assets, exercised
35 authority, or unduly exercised authority on behalf of the

1 organization by assuming the role of employee or management.

2 8122.0250 DUE DATE; EXTENSIONS.

3 The annual audits and annual reviews required are due on or
4 before the last day of the sixth month following the
5 organization's fiscal year end or on an extended due date.

6 A written request to file the annual audit or annual review
7 after the required due date must be submitted to the Department
8 of Revenue by the required annual audit or annual review due
9 date. The request must be signed by the organization's chief
10 executive officer, ~~general~~ gambling manager, or the independent
11 accountant performing the audit. The request must include the:

- 12 A. organization's name;
13 B. organization's license number;
14 C. organization's fiscal year end;
15 D. reason for the request; and
16 E. expected completion date.

17 An automatic 30-day extension will be granted in each
18 fiscal year. Second requests for an extension or requests for
19 extensions exceeding 30 days will be granted only upon a showing
20 of reasonable cause. "Reasonable cause" shall mean cases where
21 the reasons for the filing delay are beyond the control of the
22 organization. Acceptable reasons for granting an additional
23 extension include, but are not limited to:

24 (1) delay or failure to file was due to serious
25 illness or death of the accountant or a key member of the
26 accountant's staff;

27 (2) delay or failure to file was due to erroneous
28 information given the organization by a department of revenue
29 employee; or

30 (3) delay or failure to file was caused by the
31 destruction by fire or other casualty of the organization's
32 place of business or business records.

33 8122.0300 COMMUNICATION OF ILLEGAL ACTS, MATERIAL ERRORS, AND
34 IRREGULARITIES.

35 An organization is responsible to communicate illegal acts,

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1 material errors, and irregularities to the Department of Revenue
2 in writing within ten days of notification from auditors that
3 such acts, errors, or irregularities exist. The organization
4 must include a copy of all correspondence or notes taken during
5 meetings between the independent auditors and the licensed
6 organization specifically detailing the illegal acts, material
7 errors, and irregularities.

8 8122.0350 ACCOUNTING RECORDS.

9 All licensed organizations are required to maintain records
10 that account for the assets, liabilities, and fund balance of
11 their lawful gambling operation. These records must also
12 account for their gambling revenue, prize payouts, allowable
13 expenses, and lawful purpose expenditures.

14 If, in the opinion of the independent CPA or the
15 independent LPA engaged to conduct the annual financial audit or
16 review, the licensed organization has not maintained proper
17 accounting records in a form that can be audited or reviewed,
18 the accountant must either:

19 A. notify the organization in writing of the
20 deficiencies that exist and the corrective action required, with
21 an estimate of the cost to generate auditable records or the
22 reason the cost cannot be estimated; or

23 B. terminate the audit engagement.

24 8122.0400 ACCOUNTANT'S WORKPAPERS AND COMMUNICATIONS; ACCESS AND
25 RETENTION.

26 Subpart 1. Workpapers. Workpapers are the records kept by
27 the independent CPA or independent LPA of the procedures
28 followed, tests performed, information obtained, and conclusions
29 reached pertinent to the examination and review of the financial
30 statements of a licensed gambling organization. Workpapers must
31 include, but are not limited to, work programs, analyses,
32 memoranda, letters of confirmation and representation,
33 management letters, abstracts of organization documents, and
34 schedules or commentaries prepared or obtained by the accountant
35 in the course of the audit and that support the accountant's

1 Minnesota Statutes, section 297E.06.

2 In the year an organization commences gambling activity,
3 the audit or review required may cover the operations of the
4 organization for a period of less than 12 months.

5 In the year an organization's license expires, is
6 discontinued, or terminated, the audit or review will be through
7 the organization's fiscal year end, unless the organization's
8 license termination plan has been approved by the Gambling
9 Control Board prior to the fiscal year end. In this
10 circumstance, the organization has the option of performing the
11 required audit or review through the license termination plan
12 approval date, or another date specified by the organization
13 that is between the approval date and the last day of the fiscal
14 year.

15 8122.0550 AUDIT.

16 Subpart 1. **Minimum requirements.** The annual financial
17 audits must be prepared on the regulatory basis of accounting
18 and contain, at a minimum, an opinion, financial statements,
19 supplemental schedules, a report on internal controls, a
20 response to internal controls report, and other information as
21 noted.

22 Subp. 2. **Opinion.** An audit opinion expressed in
23 accordance with generally accepted auditing standards regarding
24 the fairness of the presentation of the financial statements
25 must be properly signed and dated by the ~~individual~~ CPA or LPA
26 ~~from the accounting~~ firm who performed the audit. The ~~name and~~
27 address of the accounting firm must be listed.

28 Subp. 3. **Financial statements.** The financial statements
29 must be comparative financial statements showing the current
30 year and previous year's financial information, unless it is a
31 first year engagement for the accounting firm in which case the
32 preparation of comparative statements is optional. The
33 statements must be presented in a format prescribed by and
34 acceptable to the commissioner of revenue. The financial
35 statements required are as follows:

1 A. The statement of assets, liabilities, and fund
2 balance must include all assets, liabilities, and the fund
3 balance of the gambling operations as follows, if applicable:

- 4 (1) all game starting banks;
5 (2) all gambling checking accounts;
6 (3) all savings accounts;
7 (4) all certificates of deposit and other
8 negotiable instruments;
9 (5) inventory from pull-tabs, tipboards,
10 paddlewheels, bingo, and raffles, in play and unused;
11 (6) fund losses;
12 (7) excess cash shortages to be reimbursed;
13 (8) other assets specifically identified;
14 (9) accrued Minnesota ten percent gambling tax;
15 (10) accrued combined receipts taxes;
16 (11) unpaid cost of games, plus sales tax;
17 (12) loans from all sources;
18 (13) other liabilities specifically identified;
19 and
20 (14) fund balance (profit carryover).

21 B. The statement of revenue and expense must include
22 revenues and expenses from the gambling operations and include,
23 at a minimum:

- 24 (1) gross receipts detailed by game type, such as
25 bingo, pull-tabs, tipboards, paddlewheels, and raffles,
26 including ideal or actual gross receipts from games found to be
27 missing or unreported, respectively;
28 (2) actual prizes paid out detailed by game type
29 including ideal or actual prizes from games found to be missing
30 or unreported, respectively;
31 (3) interest income;
32 (4) gross profit;
33 (5) allowable expenses;
34 (6) lawful purpose expenditures detailed by ten
35 percent tax, combined receipts tax, unrelated business income
36 tax, federal form 730 and form 11C tax, federal and state income

1 taxes, real estate taxes, and donations; and

2 (7) board-approved expenditures.

3 C. The statement of changes in fund balance must
4 include, at a minimum:

5 (1) beginning fund balance (profit carryover);

6 (2) profit or loss for the year;

7 (3) ending fund balance (profit carryover); and

8 (4) other adjustments.

9 D. The annual audit must include notes to the
10 financial statements. The notes to the financial statements
11 must include, at a minimum:

12 (1) nature of organization;

13 (2) basis of presentation of the financial
14 statements;

15 (3) related party activity;

16 (4) restrictions on assets;

17 (5) subsequent events;

18 (6) uncertainties;

19 (7) commitments such as mortgages, rent,
20 donations, or all taxes not paid or not filed, if material;

21 (8) contingent liabilities;

22 (9) board-approved expenditures;

23 (10) games tested and results: of the games
24 tested, state if the games tested included games with unsold
25 tickets, if games were tested from all active sites and the
26 types of games tested, such as pull-tabs and tipboards; and

27 (11) a list of all forms of gambling conducted by
28 the organization which must be confirmed by the chief executive
29 officer.

30 Subp. 4. Supplemental schedules. The annual audit must
31 include the following supplemental schedules:

32 A. An allowable expense comparison schedule that
33 compares the actual allowable expense amount to the statutory
34 limit set for allowable expenses. The schedule must include, at
35 a minimum:

36 (1) gross profit for the year;

1 (2) total allowable expense limit. Determined by
 2 multiplying the gross profit for the year by 50 percent. If
 3 bingo was conducted during the year, list the gross profit from
 4 bingo and multiply by four percent. The two amounts added
 5 together determine the total allowable expense limit;

6 (3) allowable expenses expended, which is the
 7 total amount of actual allowable expenses from the revenue and
 8 expense statement; and

9 (4) expenses below or above the allowable limit,
 10 which is the amount by which the allowable expenses expended is
 11 below or above the statutory total allowable expense limit.

12 B. The annual audit must include a reconciliation of
 13 the gambling operations bank accounts to the reported profit
 14 carryover. The reconciliation must include, at a minimum:

15 ~~(1) all-assets-and-liabilities-as-required-in-the~~
 16 ~~statement-of-assets,-liabilities,-and-fund-balance-as-noted-in~~
 17 ~~subpart-3,-item-A;~~

18 ~~(2)~~ a comparison of the audited fund balance
 19 (profit carryover) made to the Department of Revenue's fund
 20 balance (profit carryover) as of the fiscal year end;

21 ~~(3)~~ (2) any difference between the adjusted
 22 gambling fund balance and the fund balance (profit carryover) is
 23 a variance; and

24 ~~(4)~~ (3) any or all of the items that identify the
 25 variance if known.

26 C. The annual audit must include a reconciliation
 27 between the number of pull-tab, paddlewheel, and tipboard games
 28 played to the number of pull-tab, paddlewheel, and tipboard
 29 games reported on schedule B, Report of Non-bar Coded Games
 30 Played, Destroyed or Lost, or B-2, Report of Bar Coded Games
 31 Played, Destroyed or Lost, for the fiscal year audited. The
 32 schedule must include, at a minimum:

33 (1) the cost and number of games in beginning
 34 inventory;

35 (2) the cost and number of games purchased during
 36 the year audited;

1 (3) the cost and number of games available during
2 the year audited;

3 (4) the cost and number of games in ending
4 inventory as of the last day of the organization's fiscal year
5 end;

6 (5) the cost and number of games used which is
7 determined by subtracting the ending inventory from total games
8 available;

9 (6) the number of games reported as played, lost,
10 or destroyed on schedule B, Report of Non-bar Coded Games
11 Played, Destroyed or Lost, or B-2, Report of Bar Coded Games
12 Played, Destroyed or Lost; and

13 (7) calculate the difference between the games
14 determined as played and games reported as played, lost, or
15 destroyed on schedule B, Report of Non-bar Coded Games Played,
16 Destroyed or Lost, or B-2, Report of Bar Coded Games Played,
17 Destroyed or Lost.

18 Subp. 5. Sampling and testing; closed games. Closed games
19 and occasions must be tested independently by the CPA or LPA
20 based upon criteria set by the CPA or LPA within professional
21 standards. The sampling and testing of tipboard, pull-tab,
22 paddleticket, bingo, and raffle closed games must meet the
23 following requirements:

24 A. When a minimum sample size is required, the random
25 or systematic method of sampling will be used. When a minimum
26 sample is expanded, the expanded portion of the sample may use
27 random, systematic, or haphazard methods. When a minimum sample
28 is not required, the sample method may be random, systematic, or
29 haphazard. The following chart of gross receipts will be used
30 to determine the minimum size of a sample for closed pull-tab
31 and tipboard games.

Gross Receipts		Minimum Sample Size
\$0	to \$999,999	10 games
\$1,000,000	to \$2,499,999	20 games
\$2,500,000	to \$4,499,999	40 games
	<u>\$4,999,999</u>	<u>30</u> games
over \$5,000,000		60 <u>40</u> games

39 There is no minimum sample size requirement for testing
40

1 paddletickets, bingo, and raffles. Closed games and occasions
2 will be sampled independently by the CPA or LPA using judgment
3 based on professional standards.

4 B. Closed tipboard and pull-tab games selected in the
5 sample will be tested for the following minimum criteria:

6 (1) each game specified in the sample was
7 available from closed-deal storage;

8 (2) the following items as reported on schedule
9 B, Report of Non-bar Coded Games Played, Destroyed or Lost, or
10 B-2, Report of Bar Coded Games Played, Destroyed or Lost, must
11 be compared against test results for the same items, and
12 differences shown:

13 (a) ideal gross receipts;

14 (b) ideal prizes;

15 (c) total value of unsold tickets;

16 (d) gross receipts;

17 (e) total value of prizes paid;

18 (f) net receipts;

19 (g) cash in hand;

20 (h) cash long or short; and

21 (i) date removed from play;

22 (3) each deposit ticket meets the gambling
23 receipt deposit requirements in Minnesota Statutes, section
24 349.19, subdivision 2;

25 (4) each deposit was recorded at the bank within
26 four business days after the game was completed;

27 (5) each prize receipt form was properly
28 completed for prizes awarded of \$50 or more and for last sale
29 prizes of \$20 or more;

30 (6) each redeemed prize winning ticket was
31 adequately defaced; and

32 (7) each game flare is easily available from
33 storage.

34 C. The results of closed game sampling and testing
35 must be provided to the organization upon a request from the
36 organization.

1 Subp. 6. Report on internal control structure and other
2 matters.

3 A. A report about internal control structure
4 reportable conditions observed, or evidenced by testing, during
5 the course of an audit, that could affect the organization's
6 ability to record, process, summarize, and report financial data
7 must be submitted. The report ~~may~~ shall elevate a condition to
8 that of a material weakness, when the magnitude of the condition
9 ~~may-be~~ is considered material in relation to the financial
10 statements being audited. This report must follow and the
11 department adopts and incorporates by reference the most
12 recent ~~addition~~ edition of the internal audit standards as
13 provided by audit section 325.11 of the American Institute of
14 Public Accountants - "The Standards of Field Work -
15 Communication of Internal Control Structure Related Matters
16 Noted in an Audit," published June 1, 1994. This incorporation
17 is not subject to frequent change and is available to the public
18 through the Minitex interlibrary loan system. If no reportable
19 conditions or material weaknesses are detected, a report must be
20 submitted stating that no material weaknesses were detected.
21 This report is required under subpart 1.

22 A list of the types of gambling audit reportable condition
23 or material weakness to include in this report follows in
24 subitems (1) to (12). This list is illustrative, and not
25 all-inclusive:

- 26 (1) absence of appropriate segregation of duties;
- 27 (2) inadequate provision for safeguarding of
28 inventory, cash, or other assets;
- 29 (3) excessive cash shortages or overages;
- 30 (4) material delinquent taxes due to state or
31 federal taxing authorities;
- 32 (5) lack of required accounting records
33 maintained;
- 34 (6) lack of or inaccurate preparation of bank
35 reconciliations or gambling fund reconciliations;
- 36 (7) material differences between games played and

1 games reported as played;

2 (8) nonuse or inaccurate use of perpetual or
3 physical inventories for all forms of gambling engaged in;

4 (9) lack of specific required identification for
5 tracking and accountability of deposit tickets;

6 (10) material underreporting or overreporting of
7 allowable expenses, lawful purpose expenditures, or
8 board-approved expenditures;

9 (11) failure to properly account for and report
10 fund losses, form LG-250, Fund Loss Report; and

11 (12) inattention to and lack of correction to
12 prior year reportable conditions and material weaknesses.

13 B. A regulatory checklist questionnaire must be
14 included with the report from item A, on a form prescribed by
15 the commissioner. Responses to questions on this checklist must
16 be based on findings and information collected during the course
17 of the audit.

18 Subp. 7. Organization's response to report on internal
19 control structure. The licensed organization shall file with
20 the Department of Revenue a response to the reportable
21 conditions item by item, including any remedial action taken or
22 proposed by the organization. This response may be submitted
23 with the annual audit or review or be filed separately within 60
24 days after the due date of the annual audit or review. The
25 response must include the following items:

26 A. Any profit carryover variance as shown on the
27 reconciliation of profit carryover supplemental schedule must be
28 identified. All identified variances which require amendments
29 to tax returns must be amended and submitted to the Department
30 of Revenue along with supporting documentation. The response
31 must indicate if such amendments have been submitted to the
32 Department of Revenue.

33 Variances which require adjustments instead of amendments
34 should be adjusted by sending a letter to the Department of
35 Revenue requesting an adjustment along with supporting
36 documentation.

1 Unidentified variances must be investigated by the
2 organization and identified.

3 B. If the comparison of games played to games
4 reported on schedule B, Report of Non-bar Coded Games Played,
5 Destroyed or Lost, or B-2, Report of Bar Coded Games Played,
6 Destroyed or Lost, shows a difference, the organization must
7 respond to the reportable conditions item by identifying and
8 stating if the game difference was due to the games being:

9 (1) missing or lost;

10 (2) destroyed, with state approval;

11 (3) played and unreported; or

12 (4) reported in following month.

13 C. Specific items as noted on the internal control
14 structure report must be responded to.

15 If no response is received from the organization, the
16 organization must submit to the Department of Revenue a copy of
17 the audit management letter upon request.

18 Subp. 8. Other. The annual audit must contain the
19 following items:

20 A. the organization's license number on the front of
21 the audit report; and

22 B. the Minnesota ID number on the front of the audit
23 report.

24 8122.0600 REVIEW.

25 Subpart 1. Minimum requirements. The annual financial
26 reviews must be prepared on the regulatory basis of accounting
27 and contain, at a minimum, an expression of limited assurance,
28 financial statements, supplemental schedules, and other
29 information as noted.

30 Subp. 2. Limited assurance. An expression of limited
31 assurance regarding the financial statements must be submitted
32 ~~which and~~ must be properly signed and dated by the ~~individual~~
33 CPA~~7~~ or LPA~~7~~-~~or~~ firm who performed the review. The expression
34 of limited assurance must also include the ~~name-and~~ address of
35 the accounting firm that performed the review.

1 Subp. 3. Financial statements. The financial statements
 2 must be comparative financial statements showing the current
 3 year and previous year's financial statements, unless it is a
 4 first year engagement for the accounting firm in which case the
 5 preparation of comparative statements is optional. The
 6 financial statements required are as follows:

7 A. The statement of assets, liabilities, and fund
 8 balance, regulatory basis, must include all assets, liabilities,
 9 and the fund balance of the gambling operations as follows, if
 10 applicable:

- 11 (1) all game starting banks;
- 12 (2) all gambling checking accounts;
- 13 (3) all savings accounts;
- 14 (4) all certificates of deposit and other
 15 negotiable instruments;
- 16 (5) inventory from pull-tabs, tipboards,
 17 paddlewheels, bingo, and raffles (in play and unused);
- 18 (6) fund losses;
- 19 (7) excess cash shortages to be reimbursed;
- 20 (8) other assets;
- 21 (9) accrued Minnesota ten percent gambling tax;
- 22 (10) accrued combined receipts taxes;
- 23 (11) unpaid cost of games plus sales tax;
- 24 (12) loans from all sources other than gambling;
- 25 (13) other liabilities; and
- 26 (14) fund balance (profit carryover).

27 B. The statement of revenue and expense must include
 28 revenues and expenses from the gambling operations and include,
 29 at a minimum:

- 30 (1) gross receipts detailed by game type, such as
 31 bingo, pull-tabs, tipboards, paddlewheels, and raffles,
 32 including ideal or actual gross receipts from games found to be
 33 missing or unreported respectively;
- 34 (2) interest income;
- 35 (3) actual prizes paid out, detailed by game
 36 type, including ideal or actual prizes from games found to be

1 missing or unreported, respectively;

2 (4) gross profit;

3 (5) allowable expenses;

4 (6) lawful purpose expenditures detailed by ten

5 percent tax, combined receipts tax, unrelated business income

6 tax, federal form 730, Monthly Federal Wagering Tax, and form

7 11C, Federal Wagering Tax Stamp, federal and state income taxes,

8 real estate taxes, and donations; and

9 (7) board-approved expenditures.

10 C. The statement of changes in fund balance must

11 include, at a minimum:

12 (1) beginning fund balance (profit carryover);

13 (2) profit or loss for the year; and

14 (3) ending fund balance (profit carryover).

15 D. The annual review must include notes to the

16 financial statements. The notes to the financial statements

17 must include at a minimum:

18 (1) nature of organization;

19 (2) basis of presentation of the financial

20 statements;

21 (3) related party activity;

22 (4) restrictions on assets;

23 (5) subsequent events;

24 (6) uncertainties;

25 (7) commitments such as mortgages, rent,

26 donations, or all taxes not paid or not filed if material;

27 (8) contingent liabilities;

28 (9) board-approved expenditures; and

29 (10) list all forms of gambling conducted by the

30 organization which should be confirmed by the chief executive

31 officer.

32 Subp. 4. Supplemental schedules. The annual review must

33 include the following supplemental schedules:

34 A. The allowable expense comparison schedule

35 comparing the actual allowable expense amount to the statutory

36 limit set for allowable expenses. The schedule must include, at

1 a minimum:

2 (1) gross profit for the year;

3 (2) total allowable expense limit, determined by
4 multiplying the gross profit for the year by 50 percent. If
5 bingo was conducted during the year, list the gross profit from
6 bingo and multiply by four percent. The two amounts added
7 together determine the total allowable expense limit;

8 (3) allowable expenses expended which is the
9 total amount of actual allowable expenses from the revenue and
10 expense statement; and

11 (4) expenses below or above the allowable limit
12 which is the amount by which the allowable expenses expended is
13 below or above the statutory total allowable expense limit.

14 B. The annual review must include a reconciliation of
15 the gambling operations bank accounts to the reported profit
16 carryover. The reconciliation must include, at a minimum:

17 ~~(1) all-assets-and-liabilities-as-required-in-the~~
18 ~~statement-of-assets,-liabilities,-and-fund-balance-as-noted-in~~
19 ~~part-8122-0550,-subpart-3,-item-A,~~

20 ~~(2)~~ a comparison of the audited fund balance
21 (profit carryover) made to the Department of Revenue's fund
22 balance (profit carryover) as of the fiscal year end;

23 ~~(3)~~ (2) any difference between the adjusted
24 gambling fund balance and the fund balance is a variance; and

25 ~~(4)~~ (3) any or all of the items that identify the
26 variance, if known.

27 C. The list of games in ending inventory must include
28 all pull-tab, tipboard, and paddlewheel games in play and unused
29 as of the last day of the fiscal year ~~audited~~ reviewed.

30 Subp. 5. Other. The annual review must contain the
31 following items:

32 A. the organization's license number on the front of
33 the review report; and

34 B. the Minnesota ID number on the front of the review
35 report.

1 8122.0650 FAILURE TO FILE OR FAILURE TO MEET REQUIREMENTS.

2 Subpart 1. Failure to file. If an organization fails to
3 file the required annual audit or review, the Department of
4 Revenue will request the delinquent items. If the organization
5 fails to respond to the request and correct the delinquency, the
6 Gambling Control Board will be informed and a suspension of the
7 organization's gambling activity will be requested. An
8 organization may also be ineligible for relicensing until the
9 delinquent reports are submitted. The Gambling Control Board
10 may also issue fines for noncompliance with the annual audit and
11 review requirements. See Minnesota Statutes, sections 349.151,
12 subdivision 4, paragraph (a), clause (9), and 349.155,
13 subdivision 4.

14 Subp. 2. Failure to meet requirements. If the audit or
15 review fails to comply with all or part of the audit or review
16 requirements, the audit or review will be deemed deficient and
17 not satisfying the annual audit or review requirements. If an
18 organization fails to file the required annual audit or review
19 or fails to comply with any part of the requirements for the
20 annual audit or review, the Department of Revenue will request
21 the delinquent items. If the organization fails to respond to
22 the request and correct the delinquency, the Gambling Control
23 Board will be informed and a suspension of the organization's
24 gambling activity will be requested. An organization may also
25 be ineligible for relicensing until the delinquent reports are
26 submitted. The Gambling Control Board may also issue fines for
27 noncompliance with the annual audit and review
28 requirements. See Minnesota Statutes, sections 349.151,
29 subdivision 4, paragraph (a), clause (9), and 349.155,
30 subdivision 4.