

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

---

**LONGFELLOW COMMUNITY COUNCIL**  
**MINNEAPOLIS, MINNESOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**For the Year Ended December 31, 2005**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

This page was left blank intentionally.

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization Schedule		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Financial Statements		
Statement of Financial Position	Exhibit 1	4
Statement of Activity	Exhibit 2	5
Statement of Functional Expenses	Exhibit 3	6
Statement of Cash Flows	Exhibit 4	8
Notes to the Financial Statements		9
Schedule of NRP Activity	Schedule 1	14
<b>Management and Compliance Section</b>		
Schedule of Findings and Recommendations	Schedule 2	15
Report on Internal Control Over Financial Reporting and Compliance		18

This page was left blank intentionally.



This page was left blank intentionally.



**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE  
2005**

Board Members	Term Expires
Candyce Anderson	April 2005
Kelly Bailey	April 2005
Grace Bartels	April 2006
Jay Clark	April 2006
Beverly Conerton	April 2006
Jason Craig	April 2006
Scott Cramer	April 2006
Jerry Dastych	April 2006
Melissa Derr	April 2006
Alex Eaton	April 2007
Brian Hall	April 2005
Linda Halone	April 2005
Dan Hammen	April 2005
Leo Lopez	April 2006
Leslie Mackenzie	April 2006
David Maggi	April 2006
Dan McCabe	April 2005
Kevin McDonald	April 2005
Julia McGuire	April 2006
Rhonda Michelle	April 2005
Iric Nathanson	April 2005
Ray Nordos	April 2005
Michael Jon Olson	Resigned September 2005
Ryan O'Leary	April 2006
Scott Paine	April 2006
Tony Scallon	April 2005
Chris Schmid	April 2005
Francisco Segovia	April 2005
John Sulzbach	April 2006
Greg Toltzman	April 2006
DeWayne Townsend	April 2006
Ralph Wyman	April 2006
<b>Executive Director</b>	
James Leith	July 2005
Kathryn Hatt	Indefinite

This page was left blank intentionally.



This page was left blank intentionally.



PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Longfellow Community Council

We have audited the statement of financial position of the Longfellow Community Council (LCC) (a nonprofit corporation) as of December 31, 2005, and the related statements of activity, functional expenses, and cash flows for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the LCC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LCC as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of NRP Activity 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 LCC. Such

information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 4, 2006

## **FINANCIAL STATEMENTS**

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2005**

**Assets**

**Current assets**

Cash	\$ 180,862
Grants receivable	96,011
Pledges receivable	10,000
Prepaid expenses	1,204

**Total current assets** **\$ 288,077**

**Property and equipment**

Property and equipment net of depreciation	4,762
--	-------

**Total Assets** **\$ 292,839**

**Liabilities and Net Assets**

**Liabilities**

Current liabilities	
Salaries payable	\$ 6,644
Accounts payable	2,612
Deferred revenue	45,044

**Total Liabilities** **\$ 54,300**

**Net Assets**

Restricted	\$ 101,712
Unrestricted	136,827

**Total Net Assets** **\$ 238,539**

**Total Liabilities and Net Assets** **\$ 292,839**



**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Public Support and Other Revenue</b>			
<b>Public support</b>			
Government grants			
Minneapolis Community Planning and Economic Development Department (CPED)	\$ 16,065	\$ -	\$ 16,065
Neighborhood Revitalization Program (NRP)	189,854	-	189,854
Hennepin County	30,123	-	30,123
Mississippi Watershed Management Organization	32,057	-	32,057
McKnight Grant	8,679	21,321	30,000
Midtown Latino Organizing Project (MLOP)	24,983	70,017	95,000
Other contributions	13,226	4,857	18,083
Satisfaction of time and purpose restriction	30,882	(30,882)	-
<b>Total public support</b>	<b>\$ 345,869</b>	<b>\$ 65,313</b>	<b>\$ 411,182</b>
<b>Other revenue</b>			
Miscellaneous	12,181	-	12,181
<b>Total Public Support and Other Revenue</b>	<b>\$ 358,050</b>	<b>\$ 65,313</b>	<b>\$ 423,363</b>
<b>Expenses</b>			
<b>Program services</b>			
CPED	\$ 16,024	\$ -	\$ 16,024
NRP	194,287	-	194,287
Hennepin County	24,928	-	24,928
Mississippi Waters Management Organization	32,558	-	32,558
McKnight Foundation	17,191	-	17,191
MLOP	44,716	-	44,716
<b>Total program services</b>	<b>\$ 329,704</b>	<b>\$ -</b>	<b>\$ 329,704</b>
<b>Support services</b>			
Management and general	14,549	-	14,549
<b>Total Expenses</b>	<b>\$ 344,253</b>	<b>\$ -</b>	<b>\$ 344,253</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 13,797</b>	<b>\$ 65,313</b>	<b>\$ 79,110</b>
<b>Net Assets - January 1</b>	<b>123,030</b>	<b>36,399</b>	<b>159,429</b>
<b>Net Assets - December 31</b>	<b>\$ 136,827</b>	<b>\$ 101,712</b>	<b>\$ 238,539</b>

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Minneapolis Community Planning and Economic Development Department</b>	<b>Neighborhood Revitalization Program</b>	<b>Hennepin County</b>
<b><u>Expenses</u></b>			
Salaries and benefits	\$ 9,403	\$ 70,998	\$ 13,705
Payroll taxes	1,097	7,299	1,555
Accounting services	-	3,501	-
Advertising	-	7,512	-
Bank charges	-	135	-
Depreciation	-	-	-
Entertainment	-	-	-
Equipment	-	5,414	6,529
Fees	300	60	-
Food	-	-	-
Grant awards	-	7,518	-
Insurance	2,300	4,183	-
Legal	-	25	-
Membership	-	135	-
Miscellaneous	-	-	-
Office supplies	575	1,904	-
Overhead	-	-	-
Postage	1,729	3,462	-
Printing	509	4,622	3,000
Professional services	-	1,204	-
Project oversight	-	-	-
Program expenses			
Bicycle safety	-	343	-
Brackett Park	-	4,482	-
Community garden	-	4,481	-
Midtown greenway	-	18,205	-
Midtown market	-	1,900	-
Restorative justice	-	11,995	-
Rent	-	8,075	-
Seward redesign	-	20,000	-
Staff development	111	1,163	139
Telephone and internet	-	5,329	-
Travel	-	342	-
<b>Total Expenses</b>	<b>\$ 16,024</b>	<b>\$ 194,287</b>	<b>\$ 24,928</b>

**EXHIBIT 3**

<b>Mississippi Watershed Management Organization</b>	<b>McKnight Foundation</b>	<b>Midtown Latino Organizing Project</b>	<b>Management and General</b>	<b>Total</b>
\$ 14,006	\$ 13,698	\$ 28,987	\$ 6,194	\$ 156,991
1,470	1,369	2,956	576	16,322
-	-	-	-	3,501
3,694	-	750	-	11,956
-	-	-	-	135
-	-	-	433	433
-	-	-	100	100
-	-	1,622	250	13,815
-	-	523	-	883
-	-	69	157	226
3,698	-	-	-	11,216
1,853	2,124	-	83	10,543
-	-	-	-	25
-	-	-	-	135
-	-	198	2,077	2,275
55	-	78	-	2,612
2,135	-	-	-	2,135
343	-	-	-	5,534
563	-	62	1,518	10,274
4,642	-	-	643	6,489
-	-	8,271	-	8,271
-	-	-	-	343
-	-	-	2,518	7,000
-	-	-	-	4,481
-	-	-	-	18,205
-	-	-	-	1,900
-	-	-	-	11,995
-	-	800	-	8,875
-	-	-	-	20,000
-	-	-	-	1,413
-	-	400	-	5,729
99	-	-	-	441
<b>\$ 32,558</b>	<b>\$ 17,191</b>	<b>\$ 44,716</b>	<b>\$ 14,549</b>	<b>\$ 344,253</b>

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 4**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Cash Flows From Operating Activities</b>	
Increase (Decrease) in net assets	<u>\$ 79,110</u>
<b>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</b>	
Depreciation	\$ 433
(Increase) decrease in grants receivable	(31,697)
(Increase) decrease in prepaid items	675
Increase (decrease) in accounts payable	(241)
Increase (decrease) in accrued payroll	1,470
Increase (decrease) in deferred revenue	<u>9,959</u>
<b>Total adjustments</b>	<u>\$ (19,401)</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 59,709</b>
<b>Cash Flows From Investing Activities</b>	
Purchase of equipment	<u>(5,195)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 54,514</b>
<b>Cash - January 1</b>	<u>126,348</u>
<b>Cash - December 31</b>	<u><u>\$ 180,862</u></u>

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

---

---

1. Summary of Significant Accounting Policies

A. Organization

The Longfellow Community is bounded by the 27th Street East railroad tracks on the north, the Mississippi River on the east, Hiawatha Avenue railroad tracks on the west and the southern boundary of Minnehaha Park on the south. The Longfellow Community includes the Longfellow, Cooper, Howe, and Hiawatha Neighborhoods. The mission of the Longfellow Community Council (LCC) is to improve the quality of life and develop a sense of community among the four neighborhoods and promote their well being. The LCC involves and empowers the members of the community in all its diversity to take action on issues affecting their lives.

B. Council of Representatives and Officers

The Council of Representatives consists of 20 members. Elections are held in May and November, with representatives serving a one-year term. The Council consists of two members from each neighborhood, two members representing youth, two members representing businesses, two members representing seniors, one business alternate member, and one other organization member. The officers consist of two co-chairs of the Council of Representatives, a secretary, and a treasurer.

C. Basis of Presentation

The provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, have been applied to the amounts presented in these financial statements. Under these provisions, net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the LCC and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the LCC has discretionary control.

Temporarily Restricted – Those resources subject to donor-imposed restrictions, which will be satisfied by actions of the LCC or passage of time.

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

---

1. Summary of Significant Accounting Policies

C. Basis of Presentation (Continued)

Permanently Restricted – Those resources subject to a donor-imposed restriction that they be maintained permanently by the LCC. The donors of these resources permitted the LCC to use all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes.

D. Basis of Accounting

The LCC reports on the accrual method of accounting where revenues are recognized when they are earned and expenses are recognized when they are incurred.

E. Expense Allocation

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management in relation to grant budgets. Fund raising expenses are considered to be minimal, and those costs are included in management and general.

F. Income Taxes

The LCC is a not-for-profit corporation that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and comparable state statutes.

G. Cash

Cash consists of deposits in one checking account and a business sweep savings account.

H. Equipment

All purchased equipment is valued at cost. Donated equipment is valued at fair value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of three years to five years, depending on the type of asset.

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

---

1. Summary of Significant Accounting Policies (Continued)

I. Grants and Contracts

The LCC's funding includes cost-reimbursement grants from the City of Minneapolis' Community Planning and Economic Development (CPED) Department and the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board. Government grants and contracts recognize revenue as earned when eligible expenses, as defined in each grant or contract, are made. Funds advanced and received on the above grants but not yet earned are shown as deferred revenue. Expenses under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenses allowed under these grants, the LCC will record such disallowance at the time the final assessment is made.

J. Contributions

The following types of contributions are recorded as revenue at their fair value when they are received unconditionally: cash, promises to give, certain contributed services, and gifts of long-lived assets. Conditional contributions are recognized as restricted revenue when received.

K. Donated Services and Materials

There were no donated services and materials for the year ended December 31, 2005.

L. Accrued Paid Time Off (PTO)

Paid time off includes sick leave and vacation. Employees of the LCC earn between 10 and 25 days of PTO each year, depending on length of service. Since the LCC cannot charge its primary granting authorities for accrued PTO until it is used, no provision has been made in the accompanying financial statements for recording the accrued PTO liability and related expense at year-end. At December 31, 2005, the amount of accrued PTO was \$6,729.

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

---

---

2. Deferred Revenue

Deferred revenue as of December 31, 2005, was:

NRP	
C96-10414	\$ 10,000
C96-10520	10,000
C96-10843A	6,642
C97-12249	2,660
MWMO	
2004/2005 grant	7,992
2005/2006 grant	7,750
	<hr/>
Total	\$ 45,044
	<hr/> <hr/>

3. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2005, were:

Midtown Latino Organizing Project	\$ 70,017
McKnight Foundation	21,321
Brackett Park	7,068
Buckthorn Removal	1,331
Fire Fund	175
Restorative Justice	800
River Gorge	1,000
	<hr/>
Total	\$ 101,712
	<hr/> <hr/>

4. Equipment

Equipment at December 31, 2005, was:

Equipment	\$ 12,228
Less: accumulated depreciation	(7,466)
	<hr/>
Total	\$ 4,762
	<hr/> <hr/>



**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

---

5. Operating Leases

The LCC leases office space on a two-year lease. The lease payments for 2005 were \$9,000, which was the last year of the two-year lease. The LCC also leases a copier under a five-year lease and a water cooler under an at-will lease. Total lease payments for the copier and water cooler for 2005 totaled \$3,562. Future minimum rental payments for these are as follows:

	<u>Copier</u>
2006	\$ 3,048
2007	<u>762</u>
Total	<u>\$ 3,810</u>

6. Home Improvement Program

The LCC has initiated the “Longfellow Home Improvement Program.” Funding for this program was provided by the NRP. The program consists of loans and grants for exterior improvements, basic home improvements, major remodeling, and emergency loans. As of December 31, 2005, 269 loans have been closed, utilizing \$1,543,597. Total funds remaining at year-end for additional loans were \$596,390. The program is administered by the Center for Energy and Environment/Community Revitalization Resources.

The LCC Early Access Program (1996-1997) continues to be serviced by Neighborhood Housing Services of Minneapolis (NHS) (formerly Southside Neighborhood Services of Minneapolis). The LCC contracts with NHS to collect accrued loan payments and to have them transferred to the CPED in the LCC’s name.

This page was left blank intentionally.

**SCHEDULE OF NRP ACTIVITY**

This page was left blank intentionally.

**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

**Schedule 1**

**SCHEDULE OF NRP ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Administration Contract #10520</b>	<b>Housing Contract #10843A</b>	<b>Safety Contract #10414</b>	<b>Gardens Contract #12249</b>	<b>Total</b>
<b>Revenues</b>	<b>\$ 166,084</b>	<b>\$ 7,449</b>	<b>\$ 11,931</b>	<b>\$ 4,390</b>	<b>\$ 189,854</b>
<b>Expenses</b>					
Salaries and benefits	\$ 70,055	\$ 943	\$ -	\$ -	\$ 70,998
Payroll taxes	7,073	226	-	-	7,299
Accounting services	3,501	-	-	-	3,501
Advertising	7,469	43	-	-	7,512
Bank charge	135	-	-	-	135
Equipment	4,793	621	-	-	5,414
Fees	-	60	-	-	60
Grant awards	7,518	-	-	-	7,518
Insurance	4,183	-	-	-	4,183
Legal	25	-	-	-	25
Membership	135	-	-	-	135
Office supplies	727	1,177	-	-	1,904
Postage	1,824	1,638	-	-	3,462
Printing	164	4,458	-	-	4,622
Professional services	1,204	-	-	-	1,204
Program:					
Bicycle Safety	343	-	-	-	343
Brackett Park	4,482	-	-	-	4,482
Community Garden	91	-	-	4,390	4,481
Midtown Greenway	18,205	-	-	-	18,205
Midtown Market	1,900	-	-	-	1,900
Restorative Justice	-	-	11,995	-	11,995
Rent	8,075	-	-	-	8,075
Seward redesign	20,000	-	-	-	20,000
Staff development	1,044	119	-	-	1,163
Telephone and internet	5,329	-	-	-	5,329
Travel	342	-	-	-	342
<b>Total Expenses</b>	<b>\$ 168,617</b>	<b>\$ 9,285</b>	<b>\$ 11,995</b>	<b>\$ 4,390</b>	<b>\$ 194,287</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ (2,533)</b>	<b>\$ (1,836)</b>	<b>\$ (64)</b>	<b>\$ -</b>	<b>\$ (4,433)</b>

This page was left blank intentionally.



This page was left blank intentionally.



**LONGFELLOW COMMUNITY COUNCIL  
MINNEAPOLIS, MINNESOTA**

*Schedule 2*

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**I. COMPLIANCE**

ITEM ARISING THIS YEAR

05-1 Grant Reimbursements Not in Agreement with General Ledger

Our review of 2005 transactions found amounts reimbursed from NRP programs were not recorded as such in the Longfellow Community Council's (LCC) general ledger, as follows:

Check Number	General Ledger Coding		Grant Charged With Reimbursement	Amount Overcharged to Grant
8147	NRP Full Plan Admin.	\$ 375		
	MWMO Grant	375		
	Total	<u>\$ 750</u>	NRP Full Plan Admin.	\$ 375
8169	NRP Full Plan Admin.	\$ 375		
	MWMO Grant	375		
	Total	<u>\$ 750</u>	NRP Full Plan Admin.	375
8183	NRP Full Plan Admin.	\$ 445		
	MWMO Grant	305		
	Total	<u>\$ 750</u>	NRP Full Plan Admin.	305
Electronic Transfer	NRP Full Plan Admin.	\$ 765		
	MWMO Grant	75		
	Total	<u>\$ 840</u>	NRP Full Plan Admin.	75
8286	MWMO Grant	\$ 343		
	NRP Full Plan Housing	27		
	Total	<u>\$ 370</u>	NRP Full Plan Housing	27
8368	MWMO Grant	\$ 645		
	NRP Full Plan Housing	42		
	Total	<u>\$ 687</u>	NRP Full Plan Housing	<u>645</u>
Total Amount Overcharged to NRP Grants				<u>\$ 1,802</u>

Amounts requested for reimbursement from grant programs should agree with program expenses recorded in the LCC's general ledger.

We recommend that the LCC officials discuss the above amounts charged to the NRP programs to determine if an adjustment is needed to the amounts that have been reimbursed. We also recommend that when preparing reimbursement requests on grant programs, the general ledger be used as the basis for determining amounts to be requested.

Client's Response:

*All of the items are for allowable expenses. We went back and changed the charges without updating the general ledger. We will correct this error.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Grant Expenses Charged to Wrong Grant (03-1)**

We previously reported that no expenses had been recorded for the Community Powers Grant. It was concluded that expenses intended to be charged to the Community Powers Grant were instead charged to the NRP Administration Grant.

**Resolution**

The LCC has reversed expenses charged to the NRP Administration Grant and instead charged them to the Community Powers Grant. Corrections were made on NRP request number 74 for the Administration Grant and number 71 for the Housing Office contract.

**Lack of Documentation for Expenses Charged to CPED Program (04-1)**

Our previous report noted that the LCC was reimbursed \$7,500 from the Minneapolis Community Planning and Economic Development Department (CPED) under the CPED Fix and Paint Grant program for salary expenses of the Community Development Coordinator. However, a review of the LCC's general ledger found that salary expenses of the Community Development Coordinator were charged to NRP, Hennepin County, and McKnight Foundation grants instead of the CPED Fix and Paint Grant. Due to the absence of documentation for the salary expenses charged, we questioned the amount of \$7,500 that was received by the LCC from the CPED Fix and Paint Grant program.

**Resolution**

The LCC corrected the coding errors in these transactions by reversing charges to the Fix and Paint Grant and recording the expenses under the McKnight Foundation Grant.

**II. INTERNAL CONTROLS**

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-2 Segregation of Duties

Due to the limited number of office personnel within the LCC, segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the LCC; however, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Client's Response:

*The Longfellow Community Council (LCC) recognizes and understands the concerns noted by the State Auditor's Office in the Schedule of Findings and Recommendations regarding the segregation of accounting duties and responsibilities. The LCC will continue to make every effort to improve these functions. Furthermore, the LCC staff will make sure the LCC Executive Committee and Board of Directors are constantly aware of this condition and will encourage them to take an active and informed role in all of the organization's financial matters.*

*The LCC has a Segregation of Duties Policy and the organization will work hard to adhere to its guidelines. The LCC also has formalized policies for the handling of receipts, disbursements and payroll. This should help manage and improve internal controls.*

This page was left blank intentionally.



# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON  
STATE AUDITOR

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

Board of Directors  
Longfellow Community Council

We have audited the financial statements of the Longfellow Community Council (LCC) (a nonprofit corporation) as of and for the year ended December 31, 2005, and have issued our report thereon dated October 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Internal Control Over Financial Reporting

The management of the LCC is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered the LCC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the LCC's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Recommendations as item 96-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition listed above to be a material weakness.

### Compliance

As part of obtaining reasonable assurance about whether the LCC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, which is described in the Schedule of Findings and Recommendations as item 05-1.

This report is intended solely for the information and use of the LCC's Board of Directors, its management, and the Neighborhood Revitalization Policy Board and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 4, 2006