

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2007

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of 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 approximately 730 public pension funds; and

Tax Increment Financing - 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 Employees 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 Office of the State Auditor's web site: www.auditor.state.mn.us.

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

For the Year Ended December 31, 2007



**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>
Introductory Section		
Organization Schedule		1
Financial Section		
Independent Auditor's Report		2
Financial Statements		
Statement of Financial Position	Exhibit 1	3
Statement of Activity	Exhibit 2	4
Statement of Functional Expenses	Exhibit 3	5
Statement of Cash Flows	Exhibit 4	7
Notes to the Financial Statements		8
Schedule of NRP Activity	Schedule 1	13
Management and Compliance Section		
Schedule of Findings and Recommendations	Schedule 2	15
Report on Internal Control Over Financial Reporting and Compliance		20

This page was left blank intentionally.

This page was left blank intentionally.

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE
2007**

<u>Board Members</u>	<u>Term Expires</u>
Grace Bartels	April 2010
Stacey Behm	April 2009
Lisa Boyd	April 2009
Beverly Conerton	April 2007
Jason Craig	April 2007
Scott Cramer	April 2011
Judy Corrao	April 2009
Melissa Erjavec	April 2009
Jay Hambidge	April 2009
Don Hammen	April 2010
Gary Hendlin	April 2007
John Jensen	April 2011
Jay Kelly	April 2010
Ed Kohler	April 2007
Ed Leaf	April 2009
Leo Lopez	April 2007
Marcea Mariani	April 2010
Dan McConnell	April 2008
Iric Nathanson	April 2007
Ryan North	April 2007
Scott Paine	April 2008
Ela Rausch	April 2010
Susan Tertell	April 2009
Greg Toltzman	April 2007
DeWayne Townsend	April 2009
Ralph Wyman	April 2007
<u>Executive Director</u>	
Melanie Majors	Indefinite

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
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, 2007, 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, 2007, 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 16, 2009

Page 2

This page was left blank intentionally.

FINANCIAL STATEMENTS

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007**

Assets

Current assets

Cash	\$ 99,617
Grants receivable	112,262
Pledges receivable	37,500
Prepaid expenses	3,493
	<hr/>

Total current assets **\$ 252,872**

Property and equipment

Property and equipment net of depreciation	3,158
	<hr/>

Total Assets **\$ 256,030**

Liabilities and Net Assets

Liabilities

Current liabilities	
Salaries payable	\$ 6,837
Accounts payable	9,439
Deferred revenue	56,868
	<hr/>

Total Liabilities **\$ 73,144**

Net Assets

Restricted	\$ 43,527
Unrestricted	139,359
	<hr/>

Total Net Assets **\$ 182,886**

Total Liabilities and Net Assets **\$ 256,030**

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Unrestricted	Temporarily Restricted	Total
Public Support and Other Revenue			
Public support			
Government grants			
Minneapolis Community Planning and Economic Development Department (CPED)	\$ 12,277	\$ -	\$ 12,277
Neighborhood Revitalization Program	203,686	-	203,686
City of Minneapolis	9,332	-	9,332
Hennepin County	5,725	-	5,725
Mississippi Watershed Management Organization	14,077	-	14,077
McKnight Foundation	-	37,500	37,500
Other contributions	11,207	-	11,207
Satisfaction of time and purpose restriction	54,010	(54,010)	-
Total public support	\$ 310,314	\$ (16,510)	\$ 293,804
Other revenue			
Miscellaneous	10,843	-	10,843
Total Public Support and Other Revenue	\$ 321,157	\$ (16,510)	\$ 304,647
Expenses			
Program services			
Minneapolis CPED	\$ 12,277	\$ -	\$ 12,277
Neighborhood Revitalization Program	200,504	-	200,504
City of Minneapolis	9,332	-	9,332
Hennepin County	5,725	-	5,725
Mississippi Watershed Management Organization	14,065	-	14,065
McKnight Foundation	27,013	-	27,013
Midtown Latino Organizing Project	25,137	-	25,137
Miscellaneous programs	7,400	-	7,400
Total program services	\$ 301,453	\$ -	\$ 301,453
Support services			
Management and general	7,503	-	7,503
Total Expenses	\$ 308,956	\$ -	\$ 308,956
Increase (Decrease) in Net Assets	\$ 12,201	\$ (16,510)	\$ (4,309)
Net Assets - January 1	127,158	60,037	187,195
Net Assets - December 31	\$ 139,359	\$ 43,527	\$ 182,886

The notes to the financial statements are an integral part of this statement.

Page 4

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Minneapolis Community Planning and Economic Development Department</u>	<u>Neighborhood Revitalization Program</u>	<u>City of Minneapolis</u>
<u>Expenses</u>			
Salaries	\$ 10,083	\$ 102,915	\$ 1,025
Payroll taxes	974	9,545	-
Accounting services	-	2,112	-
Advertising	-	7,183	743
Bank charges	-	555	-
Computer tech support	-	2,755	-
Depreciation	-	-	-
Equipment	-	4,611	1,125
Fees	-	325	-
Food	-	-	75
Grant awards	-	19,280	-
Insurance	-	11,427	-
Utilities	-	5,016	-
Membership	-	222	-
Miscellaneous	-	1,677	-
Office supplies	-	2,200	-
Postage	-	3,422	-
Printing	-	2,431	-
Professional services	1,220	5,962	2,000
Program expenses			
Climate change	-	-	4,364
Community connections	-	5,697	-
Community garden	-	-	-
Midtown greenway	-	2,400	-
Midtown Latino Organizing Project	-	-	-
Mississippi Watershed Management Organization	-	-	-
Traffic calming	-	-	-
Rent	-	9,000	-
Staff development	-	1,412	-
Travel	-	357	-
Total Expenses	<u>\$ 12,277</u>	<u>\$ 200,504</u>	<u>\$ 9,332</u>

EXHIBIT 3

Mississippi Watershed Management Organization	McKnight Foundation	Miscellaneous Programs	Management and General	Total
\$ 2,016	\$ 23,932	\$ 6,793	\$ -	\$ 146,764
277	2,181	607	69	13,653
-	-	-	-	2,112
1,000	-	-	-	8,926
-	-	-	-	555
-	-	-	-	2,755
-	-	-	2,180	2,180
-	-	-	-	5,736
-	-	-	50	375
402	-	-	114	591
437	-	-	-	19,717
-	-	-	910	12,337
-	-	-	-	5,016
-	-	-	-	222
-	-	-	2,051	3,728
-	-	-	-	2,200
370	-	-	-	3,792
906	-	-	-	3,337
900	900	-	700	11,682
-	-	-	27	4,391
-	-	-	-	5,697
-	-	-	1,007	1,007
-	-	5,725	-	8,125
-	-	25,137	-	25,137
7,742	-	-	-	7,742
-	-	-	331	331
-	-	-	-	9,000
-	-	-	-	1,412
15	-	-	64	436
\$ 14,065	\$ 27,013	\$ 38,262	\$ 7,503	\$ 308,956

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

EXHIBIT 4

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash Flows From Operating Activities	
Increase (decrease) in net assets	<u>\$ (4,309)</u>
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities	
Depreciation	\$ 2,180
(Increase) decrease in grants receivable	(5,256)
(Increase) decrease in pledges receivable	(7,500)
(Increase) decrease in prepaid items	(2,132)
Increase (decrease) in accounts payable	8,337
Increase (decrease) in accrued payroll	2,251
Increase (decrease) in deferred revenue	<u>28,752</u>
Total adjustments	<u>\$ 26,632</u>
Net cash provided by (used in) operating activities	\$ 22,323
Cash Flows From Investing Activities	
Purchase of equipment	<u>(2,308)</u>
Net Increase (Decrease) in Cash	\$ 20,015
Cash - January 1	<u>79,602</u>
Cash - December 31	<u><u>\$ 99,617</u></u>

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007**

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 are no donated services or materials included in the 2007 financial statements.

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, 2007, the amount of accrued PTO was \$4,780.

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

2. Deferred Revenue

Deferred revenue as of December 31, 2007, was:

NRP	
C96-23462	\$ 10,000
C96-24882	6,000
C96-24886	10,000
C97-25000	10,000
C97-25011	10,000
Climate Change	
2007 grant	3,868
Mississippi Watershed Management Organization	
2007 grant	<u>7,000</u>
Total	<u>\$ 56,868</u>

3. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2007, were:

McKnight Foundation	\$ 40,487
Brackett Park	484
Buckthorn removal	1,331
Fire Fund	175
History Project	140
Restorative Justice	800
River Gorge	<u>110</u>
Total	<u>\$ 43,527</u>

4. Equipment

Equipment at December 31, 2007, was:

Equipment	\$ 7,503
Less: accumulated depreciation	<u>(4,345)</u>
Total	<u>\$ 3,158</u>

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

5. Operating Leases

The LCC leases office space on a one-year lease. The lease payment for 2007 was \$9,000. The LCC also leases a copier under a three-year lease and a water cooler under an at-will lease. Total lease payments for the copier and water cooler for 2007 totaled \$3,102. Future minimum rental payments for these are as follows:

	<u>Copier</u>
2008	\$ 3,240
2009	3,240
2010	<u>810</u>
Total	<u>\$ 7,290</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, 2007, 765 loans have been closed, utilizing \$3,651,247. Total funds remaining at year-end for additional loans were \$251,481. 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

**LONGFELLOW COMMUNITY COUNCIL
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF NRP ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Administration Contract #10520	Administration II Contract #23462	Housing Contract #10843A
Revenues	\$ 8,412	\$ 164,323	\$ 856
Expenses			
Salaries and benefits	\$ 4,087	\$ 97,825	\$ 1,003
Payroll taxes	351	9,084	110
Accounting services	-	2,112	-
Advertising	400	6,261	236
Bank charge	-	555	-
Computer tech support	-	2,755	-
Equipment	-	4,411	-
Fees	-	325	-
Grant awards	-	-	-
Insurance	597	10,830	-
Utilities	-	5,016	-
Membership	-	222	-
Miscellaneous	1,189	488	-
Office supplies	-	2,200	-
Postage	355	2,649	386
Printing	-	2,431	-
Professional services	-	2,962	-
Program expenses			
Community Connection	-	-	-
Midtown Greenway	2,400	-	-
Rent	-	9,000	-
Staff development	-	1,412	-
Travel	35	322	-
Total Expenses	\$ 9,414	\$ 160,860	\$ 1,735
Revenue Over (Under) Expenses	\$ (1,002)	\$ 3,463	\$ (879)

Note: The Minneapolis Electrical Industry Market Improvement Fund, Inc., donated \$8,000 for the Home Security Program, which is part of the Community Connections Contract #25011. These expenses were not separated in the general ledger, so all are shown together here.

Schedule 1

Safety Contract #10414	Storefront Contract #12312	River Gorge Contract #24886	Community Connections Contract #25011	Total
\$ 4,913	\$ 4,720	\$ 3,000	\$ 17,462	\$ 203,686
-	-	-	-	102,915
-	-	-	-	9,545
-	-	-	-	2,112
-	-	-	286	7,183
-	-	-	-	555
-	-	-	-	2,755
-	-	-	200	4,611
-	-	-	-	325
-	-	-	19,280	19,280
-	-	-	-	11,427
-	-	-	-	5,016
-	-	-	-	222
-	-	-	-	1,677
-	-	-	-	2,200
-	-	-	32	3,422
-	-	-	-	2,431
-	-	3,000	-	5,962
-	-	-	5,697	5,697
-	-	-	-	2,400
-	-	-	-	9,000
-	-	-	-	1,412
-	-	-	-	357
\$ -	\$ -	\$ 3,000	\$ 25,495	\$ 200,504
<u>\$ 4,913</u>	<u>\$ 4,720</u>	<u>\$ -</u>	<u>\$ (8,033)</u>	<u>\$ 3,182</u>

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, 2007**

I. COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Grant Reimbursements Not in Agreement with General Ledger (05-1)

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. Amounts requested for reimbursement from grant programs should agree with program expenses as recorded in the LCC's general ledger. These amounts totaled \$1,802.

Resolution

The contracts that these items were reimbursed on were closed during 2007. Based on a discussion with LCC's NRP specialist, an adjustment was made to reimbursement number nine from contract #23462 to return those funds to the NRP.

Grant Expense Reimbursed from the Wrong Program (06-1)

In the previous year, the LCC was reimbursed for check number 8797 in the amount of \$750 from NRP contract #23462, request number three. However, the check is recorded in the general ledger as a charge to the CDBG program.

Resolution

The LCC reimbursed the NRP \$750 on reimbursement request number four under contract #23462.

II. INTERNAL CONTROLS

PREVIOUSLY REPORTED ITEMS 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 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.

06-2 Bank Reconciliations

During the previous audit, we found LCC's accounting service prepares the bank reconciliations. However, they were not signed or dated by the preparer. Also, the reconciliations did not contain any evidence that they had been reviewed by an LCC official. Initials and dates help identify responsibility and timeliness for the reconciliations, which strengthens internal controls that provide for the detection and correction of errors and irregularities. In the 2007 audit, we found the bank reconciliations were initialed and dated by the preparer; however, they still are not initialed and dated by an LCC official.

We again recommend that reconciliations be reviewed by at least one LCC official, preferably the Executive Director or a Board member.

Client's Response:

The Longfellow Community Council recognizes and understands the concerns noted by the State Auditor's Office in the Schedule of Findings and Recommendations regarding bank reconciliations not being signed or dated by the preparer or by an LCC official.

The LCC finance coordinator/bookkeeper will make sure to sign and date all bank reconciliations before submitting it for review by an LCC official. LCC staff will make sure that an LCC official reviews all bank reconciliations and indicates they did so by signing and dating the document.

ITEM ARISING THIS YEAR

07-1 Coding of Supporting Documentation

During our review of invoices and timesheets, several instances were found where coding on the supporting documentation did not match the coding in the general ledger.

- Of 18 timesheets reviewed, 6 did not list the funding sources that were to be charged, and 2 showed time charged under one grant on the timesheet and a different grant on the general ledger. The first timesheet showed 25 percent of the time charged to the Climate Change grant and 75 percent charged to the McKnight Foundation. The full amount was charged to the McKnight Foundation on the general ledger. On the second timesheet, the full amount of time was to be charged to the LBA reimbursement, but the entire amount was recorded to the NRP Phase II grant on the general ledger.
- Of the 22 invoices reviewed, 3 showed the General Fund as the funding source on the invoice but were recorded under the NRP Phase II contract on the general ledger.

Timesheets and invoices support the entries made in the general ledger. Coding on these documents should match the coding in the general ledger. We recommend the LCC revise its process for coding source documents to ensure the documentation supports the general ledger.

Client's Response:

The Longfellow Community Council recognizes and understands the concerns noted by the State Auditor's Office in the Schedule of Findings and Recommendations regarding the coding of supporting documentation not matching coding in the general ledger.

The LCC finance director/bookkeeper will work closely with LCC staff to make sure that coding on timesheets and invoices/payment requests matches coding in the general ledger.

PREVIOUSLY REPORTED ITEMS RESOLVED

Receipts Journal (06-3)

In the previous year, LCC was not maintaining a receipts journal.

Resolution

The LCC implemented the use of a receipts journal during 2007.

Timely Recording in the General Ledger (06-4)

Last year, we found that expenses eligible for reimbursement from grant funds were not recorded in the general ledger with other funds of the same period. These expenses, totaling \$2,164.34, should have been recorded in September and October 2006. However, they were not entered in the general ledger under November or December 2006. It appears expenses were not being entered into the general ledger until canceled checks were returned from the bank.

Resolution

In November 2007, the LCC started to record checks when they were written instead of when they were returned from the bank.

III. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-5 Grants Management

During the prior year, our review of expenses relating to NRP programs found the following:

- 2006 expenses eligible for NRP reimbursement, in the amount of \$4,813.92, were not reimbursed until September 2007. It is not fully clear why this delay occurred. However, we found that when expenses are entered in the general ledger, they are initially recorded under the management and general category. Determining which program should ultimately be charged with the expenses takes place sometime later. This practice does not allow for timely reporting on grant activities or for timely reimbursement of grant funds.

Schedule 2
(Continued)

Our current review found \$9,844 of expenses that were eligible for NRP reimbursement from 2003 to 2006 were not reimbursed until February 2007. We again recommend that the LCC Board examine current practices for obtaining reimbursements of grant funds to determine if changes to the process are needed.

- The LCC incurred expenses totaling \$8,229.81 under the Full Plan Administration contract #10520 in 2006, for which reimbursement was not requested. Funds remaining under the contract were not sufficient to cover the total amount of these expenses, and the contract subsequently closed. During 2007, the NRP agreed to reimburse these items under the Phase II contract (#23462). The adjustment was made to reimbursement number nine on December 4, 2007. This comment has been resolved.

- Under the Phase II Administration contract #23462, the LCC incurred expenses totaling \$1,576.90 prior to approval of the contract by the NRP. Initially, the NRP disallowed these expenses from being reimbursed by the contract. Our 2007 audit found no similar instances. For this reason, this comment will be resolved.

Client's Response:

The Longfellow Community Council recognizes and understands the concerns noted by the State Auditor's Office in the Schedule of Findings and Recommendations regarding grants management.

The LCC finance coordinator/bookkeeper will work with LCC staff to make sure that NRP contracts are in place before submitting expenses for payment. The LCC finance coordinator/bookkeeper will work with LCC staff to make sure that payment requests are prepared and submitted in a timely fashion.

This page was left blank intentionally.



REBECCA OTTO
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)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

Board of Directors
Longfellow Community Council

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Longfellow Community Council (LCC) (a nonprofit corporation) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the LCC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LCC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LCC's internal control over financial reporting.

Our consideration of 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and an other deficiency that we consider to be a material weakness.

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 affects the LCC'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 LCC's financial statements that is more than inconsequential will not be prevented or detected by the LCC's internal control over financial reporting. We consider the deficiencies listed in the Schedule of Findings and Recommendations as items 96-2, 06-2, and 07-1 to be significant deficiencies in internal control over financial reporting.

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 statements will not be prevented or detected by the LCC's internal control over financial reporting. We believe that the deficiency identified as item 96-2 in the Schedule of Findings and Recommendations constitutes 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 no instances of noncompliance.

Also included in the Schedule of Findings and Recommendations is a management practices comment. We believe this recommendation to be of benefit to the LCC, and it is reported for that purpose.

The LCC's written responses to the significant deficiencies, material weakness, and management practices comment identified in our audit have been included in the Schedule of Findings and Recommendations. We did not audit the LCC's responses and, accordingly, we express no opinion on them.

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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 16, 2009