

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

## **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

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

**For the Year Ended December 31, 2010**



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

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE  
2010**

<u>Board Members</u>	<u>Position on Policy Board</u>	<u>Term Expires</u>
Sarah Caruso	Greater Twin Cities United Way	Indefinite
Jill Davis	Minneapolis School Board	Indefinite
Gail Dorfman	Hennepin County Board of Commissioners	Indefinite
Debbie Evans	At-Large Neighborhood Representative	January 2011
Kenneth Kelash	Minnesota State Senate	Indefinite
Barbara Johnson	President, Minneapolis City Council	Indefinite
Bill McCarthy	Minneapolis Central Labor Union	Indefinite
Peter McLaughlin	Hennepin County Board of Commissioners	Indefinite
Joe Mullery	Minnesota House Delegation Representative	Indefinite
Carol Pass	Redirection Neighborhood Representative	January 2011
R. T. Rybak	Mayor of Minneapolis	Indefinite
Mark Stenglein	Hennepin County Board of Commissioners	Indefinite
Jeffrey Strand	Protection Neighborhood Representative	January 2011
DeWayne Townsend	Revitalization Neighborhood Representative	January 2011
Liz Wielinski	Minneapolis Park and Recreation Board	Indefinite
<u>Alternates</u>		
Tom Bissen	Redirection Neighborhood	January 2011
Karen Clark	Minnesota House Delegation	Indefinite
David Ellis	Greater Twin Cities United Way	Indefinite
Nicholas Kakos	Protection Neighborhood	January 2011
Gordon Kepner	Revitalization Neighborhood	January 2011
Cara Letofsky	Mayor's Office	Indefinite
Robert Lilligren	Minneapolis City Council	Indefinite
Wizard Marks	At-Large Neighborhood	January 2011
Scott Vreeland	Minneapolis Park and Recreation Board	Indefinite
<u>Director</u>		
Robert D. Miller		Indefinite

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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 Members  
Minneapolis Neighborhood Revitalization Program  
Policy Board

We have audited the financial statements of the governmental activities and the General Fund of the Minneapolis Neighborhood Revitalization Program Policy Board as of and for the year ended December 31, 2010, which collectively comprise the Policy Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Policy Board's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Minneapolis Neighborhood Revitalization Program Policy Board as of December 31, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 14, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010  
(Unaudited)**

The management of the Minneapolis Neighborhood Revitalization Program Policy Board offers readers of the Policy Board's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the Policy Board's basic financial statements that follow this section.

**FINANCIAL HIGHLIGHTS**

- Assets of the Policy Board exceeded its liabilities at the close of 2010 by \$607,056. Of this amount, \$604,907 (unrestricted net assets) may be used to meet the Policy Board's ongoing obligations to citizens and creditors.
- The Policy Board's total net assets increased by \$36,421 in 2010. This is attributable primarily to two factors: (1) revenue generated through Minneapolis-St. Paul Home Tour sponsorships and (2) investment earnings.
- At the close of 2010, the Policy Board's governmental fund reported an ending fund balance of \$662,618, an increase of \$41,292 from the previous year-end balance. This total amount, which represents 49 percent of 2010's total expenditures, is available for spending at the Policy Board's discretion (unreserved fund balance).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Minneapolis Neighborhood Revitalization Program Policy Board's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Policy Board's finances in a manner similar to a private-sector business.

The Statements of Net Assets presents information on all of the Policy Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Policy Board is improving or deteriorating.

The Statement of Activities presents information showing how the Policy Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as uncollected grants and earned but unused vacation leave).

The government-wide financial statements show functions of the Policy Board that are principally supported by intergovernmental revenues (governmental activities).

### **Fund Level Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Policy Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Policy Board utilizes one fund to account for all its activities, the General Fund, which is classified as a governmental fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Minneapolis Neighborhood Revitalization Program Policy Board adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with its budget. The General Fund is used to account for all financial resources.

## Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund level financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of a government's financial position. The Minneapolis Neighborhood Revitalization Program Policy Board's assets exceeded liabilities by \$607,056 at the close of 2010. The largest portion of the Policy Board's net assets (over 99 percent) was unrestricted net assets, which are available to meet ongoing obligations.

#### Governmental Net Assets

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 741,127	\$ 1,007,899
Capital assets (net)	<u>2,149</u>	<u>3,769</u>
Total Assets	<u>\$ 743,276</u>	<u>\$ 1,011,668</u>
Long-term liabilities outstanding	\$ 57,711	\$ 54,460
Other liabilities	<u>78,509</u>	<u>386,573</u>
Total Liabilities	<u>\$ 136,220</u>	<u>\$ 441,033</u>
Net Assets		
Invested in capital assets	\$ 2,149	\$ 3,769
Unrestricted	<u>604,907</u>	<u>566,866</u>
Total Net Assets	<u>\$ 607,056</u>	<u>\$ 570,635</u>

The Policy Board's net assets increased by \$36,421, or six percent, from the net asset total at the beginning of the year. Total revenues decreased \$109,412 due primarily to a reduction in the 2010 budget and actual expenses, a corresponding decrease in funding from NRP Program Fund 01CNR and a decrease in investment earnings. Expenses for the year (\$1,361,841) were greater than anticipated yet lower than total revenue, resulting in an increase in net assets.

### Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues		
Intergovernmental		
Other local governments		
Minneapolis Community Planning and Economic Development Department	\$ 1,296,761	\$ 1,428,620
Gifts and contributions (Home Tour)	61,375	58,600
Investment income	7,792	15,736
Miscellaneous	32,334	4,718
	<hr/>	<hr/>
Total Revenues	\$ 1,398,262	\$ 1,507,674
Economic Development Expenses	<hr/> 1,361,841	<hr/> 1,500,387
Net Change in Fund Balance	\$ 36,421	\$ 7,287
Net Assets - January 1	<hr/> 570,635	<hr/> 563,348
Net Assets - December 31	<hr/> \$ 607,056	<hr/> \$ 570,635

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Minneapolis Neighborhood Revitalization Program Policy Board uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

### Governmental Funds

The focus of the Minneapolis Neighborhood Revitalization Program Policy Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Minneapolis Neighborhood Revitalization Program Policy Board's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Policy Board's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Minneapolis Neighborhood Revitalization Program Policy Board's governmental fund reported an ending balance of \$662,618, an increase of \$41,292 in comparison with the prior year. The \$662,618 constitutes unreserved fund balance, which is available for spending at the Policy Board's discretion.

### General Fund Budgetary Highlights

Though no revenue budgets were established for certain line items, total actual revenues were greater than the total budgeted by \$15,731, primarily due to investment earnings and Home Tour sponsorship receipts. Actual expenditures were under the final budget amount by \$25,561 due primarily to lower than anticipated expenditures for other operating costs.

## **CAPITAL ASSETS**

The Minneapolis Neighborhood Revitalization Program Policy Board's capital assets on December 31, 2010, totaled \$2,149 (net of accumulated depreciation). This investment in capital assets consists solely of equipment. The Policy Board's investment in capital assets decreased \$1,620, which represents the net result of acquisitions and depreciation expense for the year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Minneapolis Neighborhood Revitalization Program Policy Board's finances for all those with an interest in the Policy Board's finances. Questions concerning any of the information provided in this report should be addressed to the Minneapolis Neighborhood Revitalization Program Policy Board, Crown Roller Mill - Suite 425, 105 Fifth Avenue South, Minneapolis, Minnesota 55401.

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## **BASIC FINANCIAL STATEMENTS**

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 1**

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
Cash	\$ 721,097	\$ -	\$ 721,097
Accrued interest receivable	3,338	-	3,338
Due from other governments	10,000	-	10,000
Prepaid items	6,692	-	6,692
Noncurrent assets			
Capital assets			
Depreciable - net	-	2,149	2,149
<b>Total Assets</b>	<b>\$ 741,127</b>	<b>\$ 2,149</b>	<b>\$ 743,276</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 50,182	\$ -	\$ 50,182
Salaries payable	28,327	-	28,327
Long-term liabilities			
Due within one year	-	36,088	36,088
Due in more than one year	-	21,623	21,623
<b>Total Liabilities</b>	<b>\$ 78,509</b>	<b>\$ 57,711</b>	<b>\$ 136,220</b>
 <b>Fund Balance</b>			
Unreserved, undesignated	662,618	<b>\$ (662,618)</b>	
 <b>Net Assets</b>			
Invested in capital assets		\$ 2,149	\$ 2,149
Unrestricted		604,907	604,907
<b>Total Net Assets</b>		<b>\$ 607,056</b>	<b>\$ 607,056</b>
 <b>Total Liabilities and Fund Balance/Net Assets</b>	 <b>\$ 741,127</b>	 <b>\$ 2,149</b>	 <b>\$ 743,276</b>
 <b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - General Fund			\$ 662,618
Capital assets are reported in the Statement of Net Assets but not in the Fund's Balance Sheet.			2,149
Long-term liabilities are reported in the Statement of Net Assets but not in the Fund's Balance Sheet.			(57,711)
 <b>Net Assets - Governmental Activities</b>			 <b>\$ 607,056</b>

**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

*EXHIBIT 2*

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 1,296,761	\$ -	\$ 1,296,761
Contributions	61,375	-	61,375
Investment earnings	7,792	-	7,792
Miscellaneous	32,334	-	32,334
<b>Total Revenues</b>	<b>\$ 1,398,262</b>	<b>\$ -</b>	<b>\$ 1,398,262</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Economic development</b>			
Personal services	\$ 680,537	\$ 3,251	\$ 683,788
Contractual services	636,719	-	636,719
Other operating costs	39,714	1,620	41,334
<b>Total Expenditures/Expenses</b>	<b>\$ 1,356,970</b>	<b>\$ 4,871</b>	<b>\$ 1,361,841</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 41,292</b>	<b>\$ (4,871)</b>	<b>\$ 36,421</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>621,326</b>	<b>(50,691)</b>	<b>570,635</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 662,618</b>	<b>\$ (55,562)</b>	<b>\$ 607,056</b>

**Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities**

**Net Change in Fund Balance** **\$ 41,292**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset acquisition	2,496
Depreciation expense	(4,116)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The adjustment is the change in compensated absences payable.

(3,251)

**Change in Net Assets of Governmental Activities**

**\$ 36,421**

**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

*EXHIBIT 3*

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
Other local governments				
Minneapolis Community Planning and Economic Development Department	\$ 1,382,531	\$ 1,382,531	\$ 1,296,761	\$ (85,770)
Contributions	-	-	61,375	61,375
Investment earnings	-	-	7,792	7,792
Miscellaneous	-	-	32,334	32,334
<b>Total Revenues</b>	<b><u>\$ 1,382,531</u></b>	<b><u>\$ 1,382,531</u></b>	<b><u>\$ 1,398,262</u></b>	<b><u>\$ 15,731</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Personal services	\$ 644,817	\$ 644,817	\$ 680,537	\$ (35,720)
Contractual services	648,348	648,348	636,719	11,629
Other operating costs	89,366	89,366	39,714	49,652
<b>Total Expenditures</b>	<b><u>\$ 1,382,531</u></b>	<b><u>\$ 1,382,531</u></b>	<b><u>\$ 1,356,970</u></b>	<b><u>\$ 25,561</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,292</b>	<b>\$ 41,292</b>
<b>Fund Balance - January 1</b>	<b><u>621,326</u></b>	<b><u>621,326</u></b>	<b><u>621,326</u></b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 621,326</u></u></b>	<b><u><u>\$ 621,326</u></u></b>	<b><u><u>\$ 662,618</u></u></b>	<b><u><u>\$ 41,292</u></u></b>

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**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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1. Summary of Significant Accounting Policies

The Minneapolis Neighborhood Revitalization Program Policy Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Minneapolis Neighborhood Revitalization Program Policy Board are discussed below.

A. Organization

General

Effective January 1, 1992, the Minneapolis Neighborhood Revitalization Program Policy Board was established according to Chapter 419, Title 16, of the Minneapolis Code of Ordinances and by Resolutions of the Mayor and City Council of the City of Minneapolis, the Board of Commissioners of Hennepin County, the Board of Directors of Minneapolis Special School District No. 1, the Commissioners of the Minneapolis Park and Recreation Board, and the Trustees of the Minneapolis Library Board. Effective January 1, 2008, the Minneapolis Public Library was merged into the Hennepin County Library system, resulting in the elimination of the Minneapolis Library Board.

Board and Director

The Board consists of three groups: the "Public Officials" are the Mayor of Minneapolis, the President of the Minneapolis City Council, the Chair of Minneapolis Special School District No. 1 Board, the Chair and two other Commissioners of the Hennepin County Board, the President of the Minneapolis Park and Recreation Board, and one member each from the Minneapolis House and Senate Legislative Delegations.

**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Organization

Board and Director (Continued)

The “Neighborhood Representatives” comprise four residents of the City of Minneapolis. “Community Interests” are chief executive directors or presiding officers from City-wide organizations representing business, labor, communities of color, and philanthropic and charitable interests. The Policy Board annually elects a Chair, Vice Chair, Secretary, and Assistant Secretary. The Director is appointed by the Policy Board and is responsible for the administration of the Minneapolis Neighborhood Revitalization Program Policy Board.

B. Financial Reporting Entity

For financial reporting purposes, the Minneapolis Neighborhood Revitalization Program Policy Board includes the one fund for which it is financially accountable. It is considered to be a joint venture according to the criteria for defining the reporting entity, as adopted by GASB Statement No. 14, *The Financial Reporting Entity*. The financial reporting entity includes only the administrative activities of the Policy Board. Revenues and expenditures relating directly to program activities of the Neighborhood Revitalization Program are reported in the financial statements of the individual jurisdictions (reporting entities) participating in the joint venture and in the neighborhood associations that contract with the Policy Board.

C. Basic Financial Statements

Basic financial statements include information on the Minneapolis Neighborhood Revitalization Program Policy Board’s activities as a whole and on its General Fund. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of the exhibits has a column for the General Fund, an adjustments column, and a column for the governmental activities.

The governmental activities columns are reported on the full accrual, economic resources basis, which recognizes all long-term assets and liabilities. The Policy Board’s net assets are reported in two parts: invested in capital assets and unrestricted net assets. The statement of activities demonstrates the degree to which the expenses of the Policy Board are offset by revenues.

**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Basic Financial Statements (Continued)

The balance sheet and the statement of revenues, expenditures, and changes in fund balance for the General Fund are presented on the modified accrual basis and report current financial resources.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered as available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues as available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures related to compensated absences and claims and judgments are recorded only when payment is due. The Minneapolis Neighborhood Revitalization Program Policy Board uses only one fund to account for all its financial activities--the General Fund--and it is reported as a governmental fund.

When both restricted and unrestricted resources are available for use, it is the Minneapolis Neighborhood Revitalization Program Policy Board's policy to use restricted resources first and then unrestricted resources as needed.

**MINNEAPOLIS NEIGHBORHOOD  
REVITALIZATION PROGRAM POLICY BOARD  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Cash

Cash of the Minneapolis Neighborhood Revitalization Program Policy Board is administered by the City of Minneapolis and is pooled with other cash and cash equivalents of the City. The types of investment vehicles, their valuation, and risk are described in the notes of the City of Minneapolis Comprehensive Annual Financial Report. Interest earned on deposits of the Policy Board is credited to its General Fund. Investment earnings for 2010 were \$7,792.

In accordance with the City's charter and Minnesota statutes, deposits are maintained at depositories authorized by the City. The City's charter and Minn. Stat. ch. 118A require the City to collateralize deposits at its designated depositories. The City Finance Officer has arranged for the Federal Reserve Bank of Minneapolis to act as the City's agent in the safekeeping of securities as collateral.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

Capital assets consist of equipment with an individual cost of \$500 or more and an estimated useful life of three years or more and are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost.

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

**MINNEAPOLIS NEIGHBORHOOD  
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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All appropriations lapse at year-end.

The budgetary process begins in early summer and ends in the month of December. The Minneapolis Neighborhood Revitalization Program Policy Board's budget draft is submitted to the Mayor and Council members for review. After completion of the review, the budget is then sent to the Policy Board for review and approval. The Policy Board's approved budget is then sent to the Minneapolis City Council for final approval.

3. Detailed Notes

A. Cash

Cash of the Minneapolis Neighborhood Revitalization Program Policy Board is maintained by the City of Minneapolis. The City does not designate specific bank accounts for these deposits. Deposits with the City at December 31, 2010, were \$721,097.

**MINNEAPOLIS NEIGHBORHOOD  
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3. Detailed Notes (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated Equipment	\$ 109,692	\$ 2,496	\$ -	\$ 112,188
Less: accumulated depreciation for equipment	<u>105,923</u>	<u>4,116</u>	<u>-</u>	<u>110,039</u>
Capital Assets, Net	<u>\$ 3,769</u>	<u>\$ (1,620)</u>	<u>\$ -</u>	<u>\$ 2,149</u>

Depreciation expense of \$4,116 was charged in 2010.

C. Compensated Absences

Vacation may be accumulated up to 30 days, and sick leave may be accumulated up to 1,040 hours. Vacation is paid out upon termination of employment, but sick leave is not.

Changes to compensated absences for the year ended December 31, 2010, were as follows:

Beginning Balance	\$ 54,460
Additions	61,153
Deductions	<u>(57,902)</u>
Ending Balance	<u>\$ 57,711</u>

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3. Detailed Notes (Continued)

D. Operating Leases

The Minneapolis Neighborhood Revitalization Program Policy Board is committed under one lease for office space and two leases for equipment used in its operations. The lease for office space expires in 2016.

The Policy Board entered into a new lease for the copier for a 24-month period beginning February 2010 and extending through January 2012.

Beginning in April 2010, a new lease agreement went into effect for the postage machine. The agreement runs through the end of December 2011.

Lease payments for the equipment and office space totaled \$88,840 in 2010. The future minimum lease payments for operating leases are:

2011	\$	88,513
2012		86,302
2013		85,480
2014		85,273
2015		85,273
2016		<u>63,955</u>
Total	\$	<u>494,796</u>

4. Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Minneapolis Neighborhood Revitalization Program Policy Board are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

**MINNEAPOLIS NEIGHBORHOOD  
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4. Pension Plans

A. Plan Description (Continued)

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For General Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced Social Security benefits capped at age 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

**MINNEAPOLIS NEIGHBORHOOD  
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4. Pension Plans

A. Plan Description (Continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The Minneapolis Neighborhood Revitalization Program Policy Board makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary.

The Minneapolis Neighborhood Revitalization Program Policy Board is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00

The Minneapolis Neighborhood Revitalization Program Policy Board's contributions for the years ending December 31, 2010, 2009, and 2008, for the Public Employees Retirement Fund were:

<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 35,380	\$ 37,261	\$ 36,864

These contribution amounts are equal to the contractually required contribution rates for each year as set by state statute.

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5. Other Commitments and Contingencies

The Minneapolis Neighborhood Revitalization Program Policy Board, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. It is estimated that these matters and other potential claims against the Policy Board not covered by insurance resulting from such litigation would not materially affect the financial statements of the Policy Board.

6. Risk Management

The Minneapolis Neighborhood Revitalization Program Policy Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Policy Board has purchased commercial insurance to cover injuries to employees. There were no reductions in insurance coverage from last year or settlements in excess of coverage for the past three fiscal years. The Policy Board, Director, and employees are covered for tort-related risks by the joint powers' members that created the Policy Board. The Policy Board, however, is self-insured for the remainder of risks and has not made an estimate of the liability for unpaid claims or incurred but not reported claims.

7. Other Item

The Neighborhood Revitalization Program (NRP) is governed by a Joint Powers Agreement that expires on December 31, 2011. After that date, the Program will be run by the City of Minneapolis. After December 31, financial management of the NRP will no longer be the responsibility of the current Neighborhood Revitalization Program Policy Board or its employees.



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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 MINNESOTA LEGAL COMPLIANCE

Board Members  
Minneapolis Neighborhood Revitalization Program  
Policy Board

We have audited the financial statements of the governmental activities and the General Fund of the Minneapolis Neighborhood Revitalization Program Policy Board as of and for the year ended December 31, 2010, which collectively comprise the Policy Board's basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in the areas of deposits and investments and public indebtedness. The City of Minneapolis has custody of the Minneapolis Neighborhood Revitalization Program Policy Board's deposits and is responsible for compliance. Relative to public indebtedness, the Policy Board is not authorized to issue debt.

The results of our tests indicate that, for the items tested, the Minneapolis Neighborhood Revitalization Program Policy Board complied with the material terms and conditions of applicable legal provisions.

This communication is intended solely for the information and use of the Board Members, management, and others within the Minneapolis Neighborhood Revitalization Program 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

December 14, 2011