

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**SUPPORTING HANDS NURSE
FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

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.

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**SUPPORTING HANDS NURSE
FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

Year Ended December 31, 2007



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

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**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

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**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

ORGANIZATION
2007

Office	Name
Board Members	
Big Stone County	Howard Janssen Brent Olson
Douglas County	Bev Bales Dan Olson
Grant County	Ron Waltjer Vernell Wagner
McLeod County	Beverly Wangerin Kermit Terlinden
Meeker County	Jim Swenson Amy Wilde
Pipestone County	Marvin Tinklenberg James Keyes
Pope County	Dean Paulson Jeanne Olson
Redwood County	Al Kokesch Bruce Tolzmann
Renville County	John Stahl
Stevens County	Larry Sayre
Traverse County	Gerald Kaus
Yellow Medicine County	Jane Remiger Dick Wambeke
Chair	Jim Swenson
Vice Chair	Al Kokesch
Secretary	Bev Bales
Fiscal Officer	Cindy Schultz
Steering Committee	
Big Stone and Yellow Medicine Counties	Elizabeth Auch
Douglas County	Sandy Tubbs
McLeod County	Becky Felling
Meeker County	Diane Winter
Pipestone County	Rita Dovre
Pope County	Sharon Braaten
Redwood County	Genie Simons
Renville County	Jill Bruns
Stevens, Traverse, and Grant Counties	Betty Windom-Kirsch

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STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board Members
Supporting Hands Nurse
Family Partnership

We have audited the accompanying financial statements of the governmental activities and the General Fund of Supporting Hands Nurse Family Partnership as of and for the year ended December 31, 2007, which collectively comprise the Nurse Family Partnership's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nurse Family Partnership'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 Supporting Hands Nurse Family Partnership as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supporting Hands Nurse Family Partnership has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison in Schedule 1 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

October 13, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

BASIC FINANCIAL STATEMENTS

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**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET ASSETS WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 121,242	\$ -	\$ 121,242
Due from other governments	15,000	-	15,000
Total Assets	\$ 136,242	\$ -	\$ 136,242
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 332	\$ -	\$ 332
Salaries payable	9,496	-	9,496
Accrued payroll taxes	975	-	975
Other accrued liabilities	699	-	699
Total Liabilities	\$ 11,502	\$ -	\$ 11,502
<u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	124,740	(124,740)	
Total Liabilities and Fund Balance	\$ 136,242		
Net Assets - Unrestricted		\$ 124,740	\$ 124,740

Reconciliation of General Fund Balance to Net Assets

Because the Supporting Hands Nurse Family Partnership has no capital assets, long-term debt, or deferred revenue, fund balance equals net assets.

**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, 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, 2007**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 170,082	\$ -	\$ 170,082
Gifts and contributions	200	-	200
Total Revenues	\$ 170,282	\$ -	\$ 170,282
Expenditures/Expenses			
Current			
Health			
Nursing service	45,542	-	45,542
Net Change in Fund Balance/Net Assets	\$ 124,740	\$ -	\$ 124,740
Fund Balance/Net Assets - January 1	-	-	-
Fund Balance/Net Assets - December 31	\$ 124,740	\$ -	\$ 124,740
 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			\$ 124,740
Because the Supporting Hands Nurse Family Partnership has no capital assets, long-term debt, or deferred revenue, fund balance equals net assets.			-
Change in Net Assets of Governmental Activities			\$ 124,740

**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

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

1. Summary of Significant Accounting Policies

Supporting Hands Nurse Family Partnership's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2007. 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 Nurse Family Partnership are discussed below.

A. Financial Reporting Entity

The Supporting Hands Nurse Family Partnership Board was established, pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, as the Supporting Hands Nurse Family Partnership Board effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The Counties in the agreement are Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Redwood, Renville, Stevens, Traverse, and Yellow Medicine. Each county appoints a Commissioner to serve on the Board and a Commissioner to serve as an alternate. The primary function of the joint venture is to improve the health and life-course of low-income, first-time mothers and their children.

McLeod County, in an agent capacity, reports the cash transactions of the Nurse Family Partnership as an agency fund in its annual financial statements.

B. Basic Financial Statements

Basic financial statements include information on Supporting Hands Nurse Family Partnership's activities as a whole and information on the General Fund of the Nurse Family Partnership. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of the exhibits starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of Supporting Hands Nurse Family Partnership as a whole.

**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

The governmental activities columns are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Supporting Hands Nurse Family Partnership's net assets are reported as unrestricted net assets. The statement of activities demonstrates the degree to which the expenses of the Supporting Hands Nurse Family Partnership are offset by revenues.

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements 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 fund financial statements 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. Supporting Hands Nurse Family Partnership considers all revenues as available if collected within 90 days after the end of the current period. Charges for services are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

D. Assets, Liabilities, and Net Assets or Equity

1. Capital Assets

Capital assets are recorded in the governmental activities column in the statement of net assets. Supporting Hands Nurse Family Partnership defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Capital Assets (Continued)

Capital assets of Supporting Hands Nurse Family Partnership are depreciated using the straight-line method over an estimated five-year useful life. Presently, Supporting Hands Nurse Family Partnership does not have any capital assets.

2. Fund Equity

In the General Fund column of the financial statements, the Nurse Family Partnership reports fund balance. The unreserved, undesignated fund balance account indicates the portion of equity which is available for budgeting and expending in future periods.

3. Budgetary Information

The Nurse Family Partnership adopts estimated revenue and expenditure budgets for the General Fund on the modified accrual basis. The legal level of budgetary control is the function level. Appropriations and encumbrances lapse at year-end. The budgets may be amended or modified at any time by the Board.

2. Detailed Notes on All Funds

Assets

A. Deposits and Investments

Cash is on deposit with McLeod County. Cash transactions are administered by the McLeod County Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the County Board. Minnesota statutes require that all county deposits be covered by insurance, surety bond, or collateral, a requirement with which the County was in compliance at December 31, 2007.

**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

2. Detailed Notes on All Funds

Assets (Continued)

B. Receivables

The Nurse Family Partnership did not have any receivables scheduled to be collected beyond one year as of December 31, 2007.

3. Pension Plans

Defined Benefit Plans

A. Plan Description

All full-time and certain part-time employees of Supporting Hands Nurse Family Partnership are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public 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.

Public 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. The defined retirement benefits are based on a member's highest average salary for any five successive 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.

**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

3. Pension Plans

Defined Benefit Plans

A. Plan Description (Continued)

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the internet at 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. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. Supporting Hands Nurse Family Partnership makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent.

Supporting Hands Nurse Family Partnership is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50

**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

3. Pension Plans

Defined Benefit Plans

B. Funding Policy (Continued)

Supporting Hands Nurse Family Partnership's contribution for the year ending December 31, 2007, for the Public Employees Retirement Fund was \$337.

This contribution amount is equal to the contractually required contribution for each year as set by state statute.

4. Summary of Significant Contingencies and Other Items

Risk Management

Supporting Hands Nurse Family Partnership 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. McLeod County has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) and is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. Supporting Hands Nurse Family Partnership is covered through McLeod County for both property and casualty insurance and for workers' compensation.

REQUIRED SUPPLEMENTARY INFORMATION

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**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 102,500	\$ 102,500	\$ 170,082	\$ 67,582
Gifts and contributions	-	-	200	200
Total Revenues	\$ 102,500	\$ 102,500	\$ 170,282	\$ 67,782
Expenditures				
Current				
Health				
Nursing service	68,251	68,251	45,542	22,709
Net Change in Fund Balance	\$ 34,249	\$ 34,249	\$ 124,740	\$ 90,491
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ 34,249	\$ 34,249	\$ 124,740	\$ 90,491

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**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP
GLENCOE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

Budgetary Information

Supporting Hands Nurse Family Partnership adopts estimated revenue and expenditure budgets for the General Fund on the modified accrual basis. The legal level of budgetary control is the function level. Appropriations and encumbrances lapse at year-end. The budgets may be amended or modified at any time by the Supporting Hands Nurse Family Partnership Board.

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**SUPPORTING HANDS NURSE FAMILY PARTNERHSIP
GLENCOE, MINNESOTA**

Schedule 2

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007**

INTERNAL CONTROL

ITEM ARISING THIS YEAR

07-1 **Monitoring Internal Controls**

Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. McLeod County, the fiscal agent for Supporting Hands Nurse Family Partnership, performs all of the accounting functions for the Nurse Family Partnership under its own internal control structure, including the preparation of the financial statements and related notes. The Supporting Hands Management Committee is provided with monthly account activity reports and reviews the reports to determine that transactions have been properly recorded; however, there is no assurance obtained from McLeod County that its internal controls have been monitored and all of the Nurse Family Partnership transactions are accounted for and recorded properly. Also, there is no review of the draft copy of the annual financial statements by the Supporting Hands Management Committee prior to submission to the auditors.

We recommend that the Supporting Hands Management Committee continue to monitor the recorded transactions. In addition, the Supporting Hands Management Committee should obtain assurance from McLeod County that internal controls have been monitored and all of the Nurse Family Partnership transactions are accounted for and recorded properly. We also recommend that the Supporting Hands Management Committee begin to monitor the financial statement preparation process, including a final review of the statements and notes before they are submitted to the auditors.

Client's Response:

The Supporting Hands Nurse Family Partnership (SHNFP) Management Committee Chair will continue to monitor recorded transactions and will monitor the financial statement preparation process, including a final review of the statements and notes before they are submitted to the auditors, beginning with the 2008 audit. The SHNFP

Schedule 3
(Continued)

Management Committee Chair will obtain an assurance from McLeod County that internal controls have been monitored and all SHNFP transactions are accounted for and recorded properly.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE

Board Members
Supporting Hands Nurse
Family Partnership

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities and the General Fund of Supporting Hands Nurse Family Partnership 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 Supporting Hands Nurse Family Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nurse Family Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nurse Family Partnership's internal control over financial reporting.

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 Nurse Family Partnership'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 Nurse Family Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Nurse Family Partnership's internal control over financial reporting. We considered the deficiency described in the accompanying Schedule of Findings and Recommendations as item 07-1 to be a significant deficiency 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 Nurse Family Partnership's internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Minnesota Legal Compliance

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 Local Government*, 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 Local Government* 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.

The results of our tests indicate that, for the items tested, Supporting Hands Nurse Family Partnership complied with the material terms and conditions of applicable legal provisions.

Supporting Hands Nurse Family Partnership's written response to the significant deficiency identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the Nurse Family Partnership's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Supporting Hands Nurse Family Partnership Board members and its management 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

October 13, 2008