

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2012**

## **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@osa.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](http://www.auditor.state.mn.us).

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

**Year Ended December 31, 2012**



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

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**SUPPORTING HANDS NURSE FAMILY PARTNERSHIP  
GLENCOE MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		3
Basic Financial Statements		
General Fund Balance Sheet and Governmental Activities - Statement of Net Position with Adjustments to Convert Modified to Full Accrual	1	6
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	2	8
Notes to the Financial Statements		9
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund	A-1	18
Notes to the Required Supplementary Information		19
Other Schedule		
Schedule of Intergovernmental Revenue	B-1	20
<b>Management and Compliance Section</b>		
Schedule of Findings and Recommendations		21
Communication of Significant Deficiencies and/or Material Weaknesses in Internal Control over Financial Reporting and Other Matters		23
Independent Auditor's Report on Minnesota Legal Compliance		25

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

ORGANIZATION  
2012

Office	Name
<b>Board Members</b>	
Big Stone County	Joe Bernig
Chippewa County	Kenneth Koenen
Douglas County	Dan Olson
Grant County	Ron Woltjer
Lac qui Parle County	Todd Patzer
Lincoln County	Curtis Blumeyer
Lyon County	Robert Fenske
McLeod County	Beverly Wangerin
Meeker County	Jim Swenson
Murray County	Robert Moline
Pipestone County	Marvin Tinklenberg
Pope County	Larry Kittelson
Redwood County	Al Kokesch
Renville County	John Stahl
Stevens County	Larry Sayre
Swift County	Peter Peterson
Traverse County	Todd Johnson
Yellow Medicine County	Louis Sherlin
Chair	Al Kokesch
Vice Chair	Ron Woltjer
Secretary	Beverly Wangerin
Fiscal Officer	Cindy Schultz
Administrative Agent	Sandy Tubbs
<b>Personnel Committee</b>	
Renville County	John Stahl
Lac qui Parle County	Todd Patzer
Traverse County	Todd Johnson
<b>Finance Committee</b>	
Stevens County	Larry Sayre
Meeker County	Jim Swenson
Pope County	Larry Kittelson

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

ORGANIZATION  
2012  
(Continued)

<u>Office</u>	<u>Name</u>
Executive Committee	
Redwood County	Al Kokesch
Grant County	Ron Woltjer
McLeod County	Beverly Wangerin
Management Committee	
Meeker County	Diane Winter
Lincoln, Lyon, Murray and Pipestone Counties	Cris Gilb
Big Stone, Chippewa, Swift, Lac Qui Parle, and Yellow Medicine Counties	Elizabeth Auch



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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  
Supporting Hands Nurse Family Partnership

#### **Report on the Financial Statements**

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, 2012, and the related notes to the financial statements, which collectively comprise the Nurse Family Partnership's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conduct 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Nurse Family Partnership's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nurse Family Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2012, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information as listed in the table of contents 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 (GASB), 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Supporting Hands Nurse Family Partnership's basic financial statements. The Schedule of Intergovernmental Revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Intergovernmental Revenue is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 26, 2013

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## **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 POSITION  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2012**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 141,481	\$ -	\$ 141,481
Accounts receivable - net	56,155	-	56,155
Due from other governments	12,979	-	12,979
Capital assets			
Depreciable - net of accumulated depreciation	-	22,491	22,491
<b>Total Assets</b>	<b>\$ 210,615</b>	<b>\$ 22,491</b>	<b>\$ 233,106</b>
 <b><u>Liabilities and Fund Balance/Net Position</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 1,728	\$ -	\$ 1,728
Salaries payable	20,602	-	20,602
Accrued payroll taxes	1,273	-	1,273
Other accrued liabilities	4,673	-	4,673
Due to other governments	19,018	-	19,018
Deferred revenue - unavailable	12,244	(12,244)	-
<b>Long-term liabilities</b>			
Due within one year	-	13,472	13,472
Due in more than one year	-	6,398	6,398
<b>Total Liabilities</b>	<b>\$ 59,538</b>	<b>\$ 7,626</b>	<b>\$ 67,164</b>
<b>Fund Balance</b>			
Unassigned	<b>\$ 151,077</b>	<b>\$ (151,077)</b>	
<b>Net Position</b>			
Net investment in capital assets		\$ 22,491	\$ 22,491
Unrestricted		143,451	143,451
<b>Total Net Position</b>		<b>\$ 165,942</b>	<b>\$ 165,942</b>
<b>Total Liabilities and Fund Balance/Net Position</b>	<b>\$ 210,615</b>	<b>\$ 22,491</b>	<b>\$ 233,106</b>

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

***EXHIBIT 1  
(Continued)***

**GENERAL FUND BALANCE SHEET AND GOVERNMENTAL  
ACTIVITIES - STATEMENT OF NET POSITION  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2012**

**Reconciliation of General Fund Balance to Net Position**

Fund Balance - General Fund	\$	151,077
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		22,491
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund.		12,244
Compensated absences liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(19,870)</u>
<b>Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>165,942</u></b>

**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, 2012**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 522,382	\$ -	\$ 522,382
Charges for services	172,021	12,244	184,265
<b>Total Revenues</b>	<b>\$ 694,403</b>	<b>\$ 12,244</b>	<b>\$ 706,647</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Health</b>			
Nursing service	\$ 755,858	\$ (26,734)	\$ 729,124
Depreciation	-	1,203	1,203
<b>Total Expenditures/Expenses</b>	<b>\$ 755,858</b>	<b>\$ (25,531)</b>	<b>\$ 730,327</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>\$ (61,455)</b>	<b>\$ 37,775</b>	<b>\$ (23,680)</b>
<b>Fund Balance/Net Position - January 1</b>	<b>212,532</b>	<b>(22,910)</b>	<b>189,622</b>
<b>Fund Balance/Net Position - December 31</b>	<b>\$ 151,077</b>	<b>\$ 14,865</b>	<b>\$ 165,942</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

**\$ (61,455)**

Under the modified accrual basis, receivables not available for expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues is the increase or decrease in revenues deferred as unavailable.

12,244

Governmental funds report capital outlay 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.

Expenditures for general capital assets  
Current year depreciation

\$ 23,097  
(1,203)

21,894

Decreases in compensated absences payable decrease expenses but do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

3,637

**Change in Net Position of Governmental Activities**

**\$ (23,680)**

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

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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, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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, 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, Chippewa, Douglas, Grant, La qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. Each county appoints a Commissioner to serve on the Board. 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**

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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 position is reported in two parts: (1) net investment in capital assets, and (2) unrestricted net position. Supporting Hands first utilizes restricted resources to finance qualifying activities. The statement of activities demonstrates the degree to which the expenses of 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.

When both restricted and unrestricted resources are available for use, it is Supporting Hands' policy to use restricted resources first and then unrestricted resources as needed.

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

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position or Equity

1. Due From/To Other Governments

Due from/to other governments represent receivables and payables related to grants from other federal, state, and local governments for program administration.

2. Capital Assets

Capital assets are recorded in the governmental activities column in the statement of net position. 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 value at the date of donation.

Capital assets of Supporting Hands Nurse Family Partnership are depreciated using the straight-line method over an estimated five-year useful life.

3. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated vacation, comp time, vested sick leave balances, and sick leave balances in excess of the maximum balance. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

4. Deferred Revenue

Supporting Hands Nurse Family Partnership's fund and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

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

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

5. Classification of Net Position

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets net of accumulated depreciation.

Unrestricted - the amount of net position that does not meet the definition of net investment in capital assets.

6. Classification of Fund Balances

Fund balance is divided into classifications based primarily on the extent to which the Nurse Family Partnership is bound to observe restraints upon the use of resources in the General Fund.

Assigned - Amounts in the assigned fund balance classification Supporting Hands intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Nurse Family Partnership Board or the McLeod County Auditor-Treasurer who has been delegated that authority as fiscal agent by Board resolution.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

7. 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 lapse at year-end. The budgets may be amended or modified at any time by the Board.

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

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Cash is on deposit with McLeod County. Cash transactions are administered by the McLeod County Auditor-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, 2012.

2. Receivables

The Nurse Family Partnership did not have any receivables scheduled to be collected beyond one year as of December 31, 2012.

3. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated Equipment	\$ 8,430	\$ 23,097	\$ -	\$ 31,527
Less: accumulated depreciation for equipment	<u>(7,833)</u>	<u>(1,203)</u>	<u>-</u>	<u>(9,036)</u>
Total Capital Assets Depreciated, Net	<u>\$ 597</u>	<u>\$ 21,894</u>	<u>\$ -</u>	<u>\$ 22,491</u>

Depreciation expense of \$1,203 was charged to Supporting Hands Nurse Family Partnership's health function.

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

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2. Detailed Notes on All Funds (Continued)

B. Liabilities

1. Deferred Revenue

There was \$12,244 of deferred revenue recorded for 2012 in the General Fund.

2. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 23,507	\$ -	\$ 3,637	\$ 19,870	\$ 13,472

3. Pension 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 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.

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.

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

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3. Pension Plans

A. Plan Description (Continued)

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.

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. Supporting Hands Nurse Family Partnership 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 9.10 and 6.25 percent, respectively, of their annual covered salary.

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

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3. Pension Plans

B. Funding Policy (Continued)

Supporting Hands Nurse Family Partnership is required to contribute the following percentages of annual covered payroll in 2012:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25

Supporting Hands Nurse Family Partnership's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund were:

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 28,181	\$ 24,780	\$ 23,303

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

4. Summary of Significant Contingencies and Other Items

A. 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 Intergovernmental 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.

B. Claims and Litigation

Supporting Hands Nurse Family Partnership, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. Supporting Hands Nurse Family Partnership's attorney estimates that the potential claims against Supporting Hands Nurse Family Partnership resulting from such litigation not covered by insurance would not materially affect the financial statements of Supporting Hands Nurse Family Partnership.

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

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4. Summary of Significant Contingencies and Other Items (Continued)

C. Component Unit

Supporting Hands Nurse Family Partnership was approved for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code in December 2010. There was no activity for 2012 under the Supporting Hands Nurse Family Partnership non-profit. Any activity in the future, if material to Supporting Hands Nurse Family Partnership Joint Powers Board, will be reported under the non-profit as its own entity and listed on the financial statements as a component unit of Supporting Hands Nurse Family Partnership.

5. Subsequent Event

In January 2013, Supporting Hands Nurse Family Partnership Joint Powers Board expanded to include Kandiyohi and Rock Counties.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 479,978	\$ 479,978	\$ 522,382	\$ 42,404
Charges for services	<u>228,096</u>	<u>228,096</u>	<u>172,021</u>	<u>(56,075)</u>
<b>Total Revenues</b>	<b>\$ 708,074</b>	<b>\$ 708,074</b>	<b>\$ 694,403</b>	<b>\$ (13,671)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	<u>693,074</u>	<u>693,074</u>	<u>755,858</u>	<u>(62,784)</u>
<b>Net Change in Fund Balance</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ (61,455)</b>	<b>\$ (76,455)</b>
<b>Fund Balance - January 1</b>	<u>212,532</u>	<u>212,532</u>	<u>212,532</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<b><u>\$ 227,532</u></b>	<b><u>\$ 227,532</u></b>	<b><u>\$ 151,077</u></b>	<b><u>\$ (76,455)</u></b>

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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1. 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.

2. Excess of Expenditures Over Appropriations

In the General Fund, the expenditures exceeded appropriations for the year ended December 31, 2012, by \$62,784.

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**OTHER SCHEDULE**

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

***EXHIBIT B-1***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Payments**

**Local**

Local contributions \$ 483,765

**Grants**

**Federal**

Department of Health and Human Services  
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program 38,617

**Total Intergovernmental Revenue** \$ 522,382

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

ITEM ARISING THIS YEAR

12-1 Audit Adjustments

**Criteria:** A deficiency in internal control over financial reporting 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 and correct, misstatements of the financial statements on a timely basis. Clarified Auditing Standards AU-C Section 265 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** During our audit of the General Fund, an audit adjustment was necessary to record accounts receivable related to insurance reimbursements. Accounts receivable was increased by \$56,155; charges for services was increased by \$43,911; and deferred revenue - unavailable increased by \$12,244. By definition, however, independent external auditors cannot be considered part of the Nurse Family Partnership's internal control.

**Context:** McLeod County, as fiscal agent for Supporting Hands Nurse Family Partnership, prepares the General Fund trial balance, financial statements, notes to the financial statements, and supporting schedules. Information for insurance reimbursements is received from a member county. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** The audit adjustment was reviewed and approved by the appropriate staff and the increase to receivables, revenue, and deferred revenue - unavailable is reflected in the financial statements.

**Cause:** Service dates of insurance reimbursements were not identified as relating to 2012 activity when submitted to McLeod County.

**Recommendation:** We recommend that Supporting Hands Nurse Family Partnership review its internal controls currently in place to identify receivables and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by the Supporting Hands Nurse Family Partnership Executive Director to identify potential misstatements.

Client's Response:

*Supporting Hands Nurse Family Partnership understands the importance of identifying receivables for accuracy in the financial reporting. The County that does the billing for Supporting Hands Nurse Family Partnership will give copies of all invoices to the Fiscal Agent to ensure accurate reporting of receivables. The Supporting Hands Nurse Family Partnership Director will review all billings and ensure that receivables are recorded properly.*



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)

## **COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS**

Board Members  
Supporting Hands Nurse Family Partnership

We have audited, in accordance with the auditing standards generally accepted in the United States of America, 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, 2012, and the related notes to the financial statements, which collectively comprise the Nurse Family Partnership's basic financial statements, and have issued our report thereon dated September 26, 2013.

### **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, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Nurse Family Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Nurse Family Partnership's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Nurse Family Partnership's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency listed in the Schedule of Findings and Recommendations as item 12-1 to be a material weakness.

### **Other Matters**

Supporting Hands Nurse Family Partnership's written response to the internal control finding 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.

### **Purpose of This Report**

This communication is intended solely for the information and use of management, Supporting Hands Nurse Family Partnership Board members, and others within the Nurse Family Partnership, 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

September 26, 2013

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR



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 ON MINNESOTA LEGAL COMPLIANCE

Board Members  
Supporting Hands Nurse Family Partnership

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2012, and the related notes to the financial statements, which collectively comprise the Nurse Family Partnership's basic financial statements and have issued our report thereon dated September 26, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of Supporting Hands Nurse Family Partnership's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for deposits and investments and claims and disbursements because those categories were tested through the audit of McLeod County. We also did not test for compliance with the provisions for contracting and bidding, public indebtedness, and the miscellaneous provisions because those categories did not apply to Supporting Hands Nurse Family Partnership this year.

In connection with our audit, nothing came to our attention that caused us to believe that Supporting Hands Nurse Family Partnership failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Nurse Family Partnership's noncompliance with the above referenced provisions.

This communication is intended solely for the information and use of the Supporting Hands Nurse Family Partnership Board members, management, and others within Supporting Hands Nurse Family Partnership and the State Auditor 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

September 26, 2013