

# 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, 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.

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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, 2010**



**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  
2010

Office	Name
Board Members	
Big Stone County	Howard Janssen Brent Olson
Douglas County	Bev Bales Dan Olson
Grant County	Ron Woltjer 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	Larry Sayre
Vice Chair	Jane Remiger
Secretary	John Stahl
Fiscal Officer	Cindy Schultz
Steering Committee	
Big Stone and Yellow Medicine Counties	Elizabeth Auch
Douglas County	Sandy Tubbs
McLeod County	Kathy Nowak
Meeker County	Diane Winter
Pipestone County	Chris Gilb
Pope County	Sharon Braaten
Redwood County	Genie Simons
Renville County	Jill Bruns
Stevens, Traverse, and Grant Counties	Sandy Tubbs

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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, 2010, 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 Supporting Hands 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2010, 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.

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. 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 this 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.

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 other schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other schedule 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. This 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2011, on our consideration of Supporting Hands Nurse Family Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 12, 2011

## **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 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><u>Assets</u></b>			
Cash and pooled investments	\$ 111,381	\$ -	\$ 111,381
Accounts receivable - net	450	-	450
Due from other governments	46,333	-	46,333
Capital assets			
Depreciable - net of accumulated depreciation	-	2,635	2,635
	<b>\$ 158,164</b>	<b>\$ 2,635</b>	<b>\$ 160,799</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 4,114	\$ -	\$ 4,114
Salaries payable	13,965	-	13,965
Accrued payroll taxes	998	-	998
Other accrued liabilities	2,052	-	2,052
Due to other governments	5,601	-	5,601
<b>Long-term liabilities</b>			
Due within one year	-	19,464	19,464
Due in more than one year	-	9,159	9,159
	<b>\$ 26,730</b>	<b>\$ 28,623</b>	<b>\$ 55,353</b>
 <b>Fund Balance</b>			
Unreserved			
Undesignated	131,434	\$ (131,434)	
 <b>Net Assets</b>			
Invested in capital assets		\$ 2,635	\$ 2,635
Unrestricted		102,811	102,811
		<b>\$ 105,446</b>	<b>\$ 105,446</b>
 <b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 158,164</b>	<b>\$ 2,635</b>	<b>\$ 160,799</b>

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

***EXHIBIT 1  
(Continued)***

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

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

Fund Balance - General Fund	\$ 131,434
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	2,635
Compensated absences liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(28,623)</u>
<b>Net Assets - Governmental Activities</b>	<b><u><u>\$ 105,446</u></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, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 325,723	\$ -	\$ 325,723
Charges for services	180,479	-	180,479
<b>Total Revenues</b>	<b>\$ 506,202</b>	<b>\$ -</b>	<b>\$ 506,202</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Health</b>			
Nursing service	\$ 569,232	\$ 10,678	\$ 579,910
Depreciation	-	2,038	2,038
<b>Total Expenditures/Expenses</b>	<b>\$ 569,232</b>	<b>\$ 12,716</b>	<b>\$ 581,948</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ (63,030)</b>	<b>\$ (12,716)</b>	<b>\$ (75,746)</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>194,464</b>	<b>(13,272)</b>	<b>181,192</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 131,434</b>	<b>\$ (25,988)</b>	<b>\$ 105,446</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		\$ (63,030)
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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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental fund, the proceeds from the sale increase financial resources.

Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of. In 2010, the only adjustment is for depreciation expense.

(2,038)

Compensated absences expenses are reported in the statement of activities and do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(10,678)

**Change in Net Assets of Governmental Activities**

**\$ (75,746)**

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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, 2010**

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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, 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 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, 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**

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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 assets are reported as unrestricted net assets. 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.

D. Assets, Liabilities, and Net Assets 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.

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

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1. Summary of Significant Accounting Policies

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

2. 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 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.

5. 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 available for budgeting and expending in future periods.

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

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1. Summary of Significant Accounting Policies

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

6. 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

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, 2010.

2. Receivables

The Nurse Family Partnership did not have any receivables scheduled to be collected beyond one year as of December 31, 2010.

3. 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				
Office equipment	\$ 8,430	\$ -	\$ -	\$ 8,430
Less: accumulated depreciation for				
Office equipment	<u>(3,757)</u>	<u>(2,038)</u>	<u>-</u>	<u>(5,795)</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,673</u>	<u>\$ (2,038)</u>	<u>\$ -</u>	<u>\$ 2,635</u>

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

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2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense of \$2,038 was charged to Supporting Hands Nurse Family Partnership's health function.

B. Liabilities

1. Deferred Revenue

There was no deferred revenue for 2010 in the General Fund.

2. Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 17,945	\$ 10,678	\$ -	\$ 28,623	\$ 19,464

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.

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

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3. Pension Plans

A. Plan Description (Continued)

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.

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.

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

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3. Pension Plans (Continued)

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 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 9.1 and 6.0 percent, respectively, of their annual covered salary.

Supporting Hands Nurse Family Partnership 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

Supporting Hands Nurse Family Partnership's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement fund were:

<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 23,303	\$ 20,355	\$ 13,218

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.

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

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

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.

C. Component Unit

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

5. Subsequent Event

In January 2011, Supporting Hands Nurse Family Partnership Joint Powers Board expanded to include Chippewa, Lac qui Parle, and Swift Counties.

**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, 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	\$ 345,000	\$ 345,000	\$ 325,723	\$ (19,277)
Charges for services	<u>165,000</u>	<u>165,000</u>	<u>180,479</u>	<u>15,479</u>
<b>Total Revenues</b>	<b>\$ 510,000</b>	<b>\$ 510,000</b>	<b>\$ 506,202</b>	<b>\$ (3,798)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	<u>544,439</u>	<u>544,439</u>	<u>569,232</u>	<u>(24,793)</u>
<b>Net Change in Fund Balance</b>	<b>\$ (34,439)</b>	<b>\$ (34,439)</b>	<b>\$ (63,030)</b>	<b>\$ (28,591)</b>
<b>Fund Balance - January 1</b>	<u>194,464</u>	<u>194,464</u>	<u>194,464</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<b><u>\$ 160,025</u></b>	<b><u>\$ 160,025</u></b>	<b><u>\$ 131,434</u></b>	<b><u>\$ (28,591)</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, 2010**

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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, 2010, by \$24,793.

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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, 2010**

<b>Payments</b>	
<b>Local</b>	
Local contributions	\$ <u>264,369</u>
<b>Grants</b>	
<b>State</b>	
Minnesota Department of Human Services	\$ <u>23,586</u>
<b>Federal</b>	
Department of Health and Human Services	
Community-Based Child Abuse Prevention Grants	\$ 31,989
Child Abuse and Neglect Discretionary Activities	<u>5,779</u>
<b>Total federal</b>	<u>\$ 37,768</u>
<b>Total state and federal grants</b>	<u>\$ 61,354</u>
<b>Total Intergovernmental Revenue</b>	<u><u>\$ 325,723</u></u>

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**ITEM FOR CONSIDERATION**

GASB Statement 54

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Supporting Hands Nurse Family Partnership for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The Nurse Family Partnership should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The Nurse Family Partnership can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balance and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Nurse Family Partnership Board intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Additional implementation steps could include deciding on how fund balance will be presented in the financial statements, such as detailed vs. aggregate methods, and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

[http://www.auditor.state.mn.us/other/Statements/fundbalances\\_postGASB54\\_1012\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf).



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board Members  
Supporting Hands Nurse Family Partnership

We have audited 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, 2010, which collectively comprise the Nurse Family Partnership's basic financial statements, and have issued our report thereon dated August 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, 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 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 on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Supporting Hands Nurse Family Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### 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 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 deposits and investments and claims and disbursements because those categories were tested through McLeod County, and we did not test for contracting and bidding, public indebtedness, and the miscellaneous provisions because those categories did not apply to Supporting Hands Nurse Family Partnership this year.

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.

Included in the Schedule of Findings and Recommendations is an item for consideration. We believe this information to be of benefit to Supporting Hands Nurse Family Partnership, and it is reported for that purpose.

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

August 12, 2011