STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

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 150 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 650 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.

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

Year Ended December 31, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

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Introductory Section

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

ORGANIZATION
DECEMBER 31, 2017

	Position	Agency	Term Expires
Executive Board			
Tara Nelson	Chair	Mental Health Center	2019
Corinne Torkelson	Vice Chair	Member at Large	2018
Sandy Hruby	Member	Parent Representative	2019
Diane Winter	Member	Public Health	2017
Deb West	Member	Corrections	2017
Lisa Kraft	Member	Public Schools	2017
Gerald Brustuen	Member	Social Services	2018
Jennifer Mendoza	Member	Parent Representative	2018
Rae Ann Keeler-Aus	Member	Member at Large	2019
Fiscal Supervisor			
Gladys Kirsch			
Director			
Rochelle Peterson			

	Position	Agency
Chief Elected Officials Board		
Robert Fox	Chair	Renville County Commissioner
Rollie Nissen	Vice Chair	Kandiyohi County Commissioner
Mike Huberty	Member	Meeker County Commissioner
Greg Renneke	Member	Yellow Medicine County Commissioner
Rich Pohlmeier	Member	McLeod County Commissioner

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Financial Section

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OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Executive Board
Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Putting All Communities Together for Families Collaborative (PACT) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise PACT'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 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 from 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 PACT'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 PACT'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 PACT as of December 31, 2017, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in accordance 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 Management's Discussion and Analysis and 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2018, on our consideration of PACT'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 solely 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 effectiveness of PACT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PACT's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PACT's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 12, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)

This section of the annual financial report presents our Management's Discussion and Analysis (MD&A) of Putting All Communities Together for Families Collaborative's (PACT) financial performance during the fiscal year that ended December 31, 2017. The MD&A is required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017 fiscal year include the following:

- Total net position is $1,805,372, of which $1,805,138 is unrestricted and $234 is invested in capital assets.
- Net position decreased for the year ending December 31, 2017, by $149,146.
- PACT also has federally funded grants that pass through other counties and state departments:

Twenty-First Century Community Learning Centers from the Minnesota Department of Education	$	707,622
Safe and Drug-Free Schools and Communities - National Programs passed through Renville County Public Health		87,181
Special Populations Chemical Health Grant, entitled Guía, from the Minnesota Department of Human Services Alcohol and Drug Abuse Division		116,161
Family Group Decision Making Grant, passed through Renville County Human Services from the Minnesota Department of Human Services		42,137
Reentry Ready Recidivism Reduction Grant from Minnesota Department of Public Safety Office of Justice Programs		71,178

All projects noted are expected to continue into 2018.

- Government-wide net position decreased 7.63 percent from the prior year.

- Overall government-wide revenues totaled $2,301,440 and were $253,986 less than prior year and $149,146 less than expenses.

- The General Fund's fund balance decreased $113,118, or (4.07) percent, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The financial section consists of three parts: (1) Independent Auditor's Report; (2) required supplementary information, which includes the MD&A (this section); and (3) the basic financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

This MD&A is intended to serve as an introduction to the basic financial statements. PACT's basic financial statements consist of two statements that combine government-wide financial statements and fund financial statements, a budgetary comparison statement, and notes to the financial statements. The MD&A is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The first column of each of the first two statements presents governmental fund data. These columns focus on how money flows in and out and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. These columns provide a detailed short-term view of PACT's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the third column) in the center column of each statement.

The third column of each of the first two statements presents the governmental activities' Statement of Net Position and the Statement of Activities, which provide information about the activities of PACT as a whole and present a longer-term view of finances. These columns tell how these services were financed in the short-term as well as what remains for future spending. These columns include all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of PACT, including long-term activity. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF PACT AS A WHOLE

Net Position - the net position was $1,805,372 on December 31, 2017.

Table 1
Net Position

	2017	2016	Percent Change (%)
Assets			
Cash and investments	$ 2,590,943	$ 2,677,504	(3.23)
Accrued interest receivable	9,674	13,909	30.45
Accounts receivable	5,000	70	7042.86
Due from other governments	582,909	627,137	(7.05)
Capital assets			
Depreciable - net	234	9,606	(97.56)
Total Assets	$ 3,188,760	$ 3,328,226	(4.19)
Deferred Outflows of Resources			
Deferred pension outflows	$ 289,790	$ 639,519	(54.69)
Liabilities			
Accounts payable	$ 23,349	$ 971	2304.63
Salaries payable	40,490	45,425	(10.86)
Accrued payroll taxes	2,788	3,135	(11.07)
Due to other governments	85,440	161,615	(47.13)
Long-term liabilities			
Due within one year	20,571	20,116	2.26
Due in more than one year	61,714	60,350	2.26
Net pension liability	1,193,796	1,526,467	(21.79)
Total Liabilities	$ 1,428,148	$ 1,818,079	(21.45)
Deferred Inflows of Resources			
Deferred pension inflows	$ 245,030	$ 195,148	25.56
Net Position			
Investment in capital assets	$ 234	$ 9,606	(97.56)
Unrestricted	1,805,138	1,944,912	(7.19)
Total Net Position	$ 1,805,372	$ 1,954,518	(7.63)

Table 2
Change in Net Position

	2017		2016		Percent Change (%)
Revenues					
Program revenues					
Intergovernmental	$	1,495,274	$	1,597,435	(6.40)
Charges for services		533,428		510,866	4.42
General revenues					
Gifts and contributions		251,262		430,432	(41.63)
Investment earnings		21,476		16,693	28.65
Total Revenues	$	2,301,440	$	2,555,426	(9.94)
Expenses					
Program expenses					
General government		2,450,586		2,598,317	(5.69)
Increase (Decrease) in Net Position	$	(149,146)	$	(42,891)	247.73
Beginning Net Position		1,954,518		1,997,409	(2.15)
Ending Net Position	$	1,805,372	$	1,954,518	(7.63)

CAPITAL ASSETS

As of December 31, 2017, PACT had $234 invested in capital assets (see Table 3 below). This amount represents a net decrease (including additions and deductions) of ($9,372), or (97.56) percent, from last year.

Table 3
Capital Assets at Year-End

	2017		2016	
Machinery, furniture, and equipment	$	161,970	$	161,970
Less: accumulated depreciation		(161,736)		(152,364)
Net Capital Assets	$	234	$	9,606

FINANCIAL ANALYSIS OF PACT AT THE FUND LEVEL

The financial performance of PACT as a whole is reflected in its governmental fund as well. The General Fund, which is the only governmental fund of PACT, includes the primary operations of providing services that enhance the life circumstances of children and their families. As PACT completed the year, its governmental fund (as presented in the first column of the statements) reported a fund balance of $2,663,920, which is below last year's fund balance of $2,777,038 by $113,118, a decrease of 4.07 percent. PACT has an annual adopted budget. This budget may be amended or modified as additional grants are received. A comparison of budgeted revenues and expenditures to actual is presented in the financial statements (Exhibit 3).

BUDGETARY HIGHLIGHTS

PACT's Board made no budgetary amendments/revisions in 2017. Actual revenues were less than budgeted revenues by $92,567; expenditures were also less than budgeted by $121,363. Factors contributing included grant changes and variations of grant revenues for grants that span more than one calendar year. The greatest variances are in grants coming through a state system.

The decrease in total net position is due to expenditures over revenues. Net position decreased by $149,146. Revenues came in less than expected (budgeted) due to variations in grant revenues budgeted during the budget cycle and grant revenues actually received during the year. These grants (for example, Twenty-First Century, Guía, Reentry Ready, and Drug-Free Communities, etc.) are based on a state fiscal year, audited on a calendar year, and budgeted on a cash basis accounting structure. The budget was fundamentally on target for cash basis but appears underestimated when compared on a modified accrual basis.

FACTORS BEARING ON THE FUTURE AND NEXT YEAR'S GRANT BUDGETS AND RATES

The income projection for 2018 is expected to be in line with, or just slightly less than, 2017. While grant funding is always a bit tenuous, most of our current grants are moving forward with continuations or extensions. Twenty-First Century Community Learning Centers funding Cohort 6 is anticipated to remain at current funding levels unless some cuts are made on the federal level. Family Group Decision Making, Reentry Ready, Drug-Free Communities, and Guía will continue through 2018. These funds may be extended beyond this calendar year as well. We continue to seek and obtain local and foundational dollars to build resilience and independence for families who face challenges.

The pension accounting and financial reporting standards of GASB Statements 68 and 71 requires the net pension liability and pension related deferred inflows of resources and deferred outflows of resources be recognized on the Statement of Net Position. Therefore, a reduction from fund balance to net position on Exhibit 1 was recorded for $1,149,036.

We are in partnership with the Minnesota Department of Human Services through a SAMHSA (Substance Abuse Mental Health Services Administration) grant to develop more collaboration between the multiple delivery systems. We have proposed a family-focused respite model that would provide respite services to an entire family, where currently, respite resources are available for an individual child. This will be further developed in the fall of 2018.

In addition, we are currently working on a collaborative-based project with school administrators, mental health service providers, and county social services administrations in providing resources and interventions to schools in order to deal with the increasing mental health needs facing children in schools.

Over the past three years, we have worked closely with our local state representatives and legislature on addressing issues facing rural families. Specifically, sustaining support services for young people as they move from youth to adult. They may be receiving children's services with much assistance, and overnight they are part of an adult system that operates completely different. They often lack ability to obtain necessary support. This is especially difficult in rural areas, where resources and services are limited.

Our non-categorical LCTS (local collaborative time study) funding has fluctuated in such a manner that it is difficult to project actual income expectations, but we are hopeful that our targeted income projects will be met or exceeded.

On the expense side of the picture, we continue to streamline as many of our expenses as possible. Our Executive Board will continue to examine our future financial plans, keeping our budget as stable as possible between income and expenses. We continue to spend down reserves through partner grants, as we look at ways we can use collaborative funds on behalf of children and families in our five counties in the most effective and impactful manner this year and into the future to assure a stable sustainable organization.

CONTACTING PACT'S FINANCIAL MANAGEMENT

This financial report is designed to give a general overview of PACT's finances and to show PACT's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact us at: PACT for Families Collaborative, Kandiyohi County Health and Human Services Building, 2200 - 23rd Street N.E., Suite 2030, Willmar, Minnesota 56201; (320) 231-7030.

BASIC FINANCIAL STATEMENTS

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND BALANCE SHEET DECEMBER 31, 2017

	General Fund	Adjustments	Governmental Activities
Assets and Deferred Outflows of Resources			
Assets			
Cash and pooled investments	$ 2,590,943	$ -	$ 2,590,943
Accrued interest receivable	9,674	-	9,674
Accounts receivable	5,000	-	5,000
Due from other governments	582,909	-	582,909
Capital assets			
Depreciable - net	-	234	234
Total Assets	**$ 3,188,526**	**$ 234**	**$ 3,188,760**
Deferred Outflows of Resources			
Deferred pension outflows	-	289,790	289,790
Total Assets and Deferred Outflows of Resources	**$ 3,188,526**	**$ 290,024**	**$ 3,478,550**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Accounts payable	$ 23,349	$ -	$ 23,349
Salaries payable	40,490	-	40,490
Accrued payroll taxes	2,788	-	2,788
Due to other governments	85,440	-	85,440
Long-term liabilities			
Due within one year	-	20,571	20,571
Due in more than one year	-	61,714	61,714
Net pension liability	-	1,193,796	1,193,796
Total Liabilities	**$ 152,067**	**$ 1,276,081**	**$ 1,428,148**
Deferred Inflows of Resources			
Unavailable revenue	$ 372,539	$ (372,539)	$ -
Deferred pension inflows	-	245,030	245,030
Total Deferred Inflows of Resources	**$ 372,539**	**$ (127,509)**	**$ 245,030**
Fund Balance			
Assigned	$ 52,166	$ (52,166)	
Unassigned	2,611,754	(2,611,754)	
Total Fund Balance	**$ 2,663,920**	**$ (2,663,920)**	

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

EXHIBIT 1
(Continued)

**STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES
AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2017**

	General Fund	Adjustments	Governmental Activities
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)			
Net Position			
Investment in capital assets		$ 234	$ 234
Unrestricted		1,805,138	1,805,138
Total Net Position		**$ 1,805,372**	**$ 1,805,372**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 3,188,526**	**$ 290,024**	**$ 3,478,550**

Reconciliation of the General Fund Balance to Net Position		
Fund Balance - General Fund		**$ 2,663,920**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		234
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		289,790
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental fund.		372,539
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Compensated absences	$ (82,285)	
Net pension liability	(1,193,796)	(1,276,081)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.		(245,030)
Net Position - Governmental Activities		**$ 1,805,372**

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	$ 1,443,601	$ 51,673	$ 1,495,274
Investment earnings	14,128	7,348	21,476
Gifts and contributions	251,262	-	251,262
Charges for services	549,912	(16,484)	533,428
Total Revenues	**$ 2,258,903**	**$ 42,537**	**$ 2,301,440**
Expenditures/Expenses			
Current			
General government			
General	$ 188,815	$ 69,193	$ 258,008
Local Collaborative Time Study	1,097,597	-	1,097,597
Twenty-First Century Community Learning Centers	645,527	-	645,527
Guía	107,631	-	107,631
Drug-Free Communities - Renville County	83,810	-	83,810
Edward Byrne Memorial Justice Assistance	71,178	-	71,178
Brain Conference	5,263	-	5,263
Pohlad Foundation	10,589	-	10,589
Medica Foundation	14,502	-	14,502
Parent Advisory Committee	381	-	381
Crossover - Youth Intervention Program Department of Public Safety Grant	6,610	-	6,610
Bush Foundation Truancy Grant	91,798	-	91,798
Family Group Decision Making Grant	48,320	-	48,320
Depreciation	-	9,372	9,372
Total Expenditures/Expenses	**$ 2,372,021**	**$ 78,565**	**$ 2,450,586**
Net Change in Fund Balance/Net Position	**$ (113,118)**	**$ (36,028)**	**$ (149,146)**
Fund Balance/Net Position - January 1	**2,777,038**	**(822,520)**	**1,954,518**
Fund Balance/Net Position - December 31	**$ 2,663,920**	**$ (858,548)**	**$ 1,805,372**

EXHIBIT 2
(Continued)

STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2017

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities		
Net Change in Fund Balance		$ **(113,118)**
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. PACT had $330,436 of unavailable revenue in 2016.		42,103
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current year depreciation		(9,372)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund operating statement.		
Change in compensated absences	$ (1,819)	
Change in net pension liability	332,671	
Change in deferred pension outflows	(349,729)	
Change in deferred pension inflows	(49,882)	(68,759)
Change in Net Position of Governmental Activities		**$ (149,146)**

EXHIBIT 3

BUDGETARY COMPARISON
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Intergovernmental	$ 1,443,449	$ 1,443,449	$ 1,443,601	$ 152
Interest on investments	22,325	22,325	14,128	(8,197)
Gifts and contributions	257,478	257,478	251,262	(6,216)
Charges for services	628,218	628,218	549,912	(78,306)
Total Revenues	**$ 2,351,470**	**$ 2,351,470**	**$ 2,258,903**	**$ (92,567)**
Expenditures				
Current				
General government				
General	$ 320,779	$ 320,779	$ 188,815	$ 131,964
Local Collaborative Time Study	1,205,691	1,205,691	1,097,597	108,094
Twenty-First Century Community Learning Centers	730,540	730,540	645,527	85,013
Guía	85,000	85,000	107,631	(22,631)
Drug-Free Communities - Renville County	86,095	86,095	83,810	2,285
Edward Byrne Memorial Justice Assistance	-	-	71,178	(71,178)
Brain Conference	12,000	12,000	5,263	6,737
Pohlad Foundation	12,000	12,000	10,589	1,411
Medica Foundation	-	-	14,502	(14,502)
Parent Advisory Committee	-	-	381	(381)
Crossover - Youth Intervention Program Department of Public Safety Grant	-	-	6,610	(6,610)
Bush Foundation Truancy Grant	-	-	91,798	(91,798)
Family Group Decision Making Grant	41,279	41,279	48,320	(7,041)
Total Expenditures	**$ 2,493,384**	**$ 2,493,384**	**$ 2,372,021**	**$ 121,363**
Net Change in Fund Balance	**$ (141,914)**	**$ (141,914)**	**$ (113,118)**	**$ 28,796**
Fund Balance - January 1	**2,777,038**	**2,777,038**	**2,777,038**	**-**
Fund Balance - December 31	**$ 2,635,124**	**$ 2,635,124**	**$ 2,663,920**	**$ 28,796**

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

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NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

Putting All Communities Together for Families Collaborative's (PACT) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2017. 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 PACT are discussed below.

A. Financial Reporting Entity

PACT was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into adding McLeod County as a fifth county partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. This had no effect on PACT's tax identification or filing obligations with the U.S. Department of the Treasury Internal Revenue Service or the Minnesota Secretary of State. The joint powers agreements were established to provide coordinated services to children and families. A county may withdraw from PACT by giving a 30-day written notice to PACT; however, the contribution will remain in the integrated fund for the implementation period. In the event of termination, any property acquired as a result of the agreement and any surplus monies on hand shall be distributed to the parties of this agreement in proportion to their contributions.

Management of PACT is vested in an Executive Board composed of nine members representing all counties. The Board includes an administrative representative of social services, public health services, community corrections, school districts, two parents (one parent of a child diagnosed with a serious emotional disturbance), and three members at large, one of whom is of a mental health background. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of PACT.

McLeod County Family Services has acted as the fiscal agent for PACT since January 1, 2016.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

The financial statements combine fund level financial statements (General Fund column) and government-wide financial statements (Governmental Activities column). These statements include the financial activities of PACT overall.

The government-wide 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. PACT's net position is reported in two parts: investment in capital assets and unrestricted net position.

PACT reports one governmental fund. The General Fund is PACT's primary operating fund. It accounts for all financial resources of PACT.

C. Measurement Focus and Basis of Accounting

The governmental activities columns are reported using the economic resources measurement focus and the full 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 columns (General Fund) 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. PACT considers all revenues as available if collected within 60 days after the end of the current period. Intergovernmental revenue and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred except for compensated absences, which are recognized as expenditures to the extent that they have matured.

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

D. Reconciliation of Government-Wide Fund Financial Statements

The financial statements include an adjustments column to reconcile the General Fund to the governmental activities.

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

PACT invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool. PACT also invests with Frandsen Investment Services with Securities and Advisory services offered through LPL Financial, a Registered Investment Advisor, Member FINRA, SIPC. These investments are reported at their fair value at December 31, 2017, based on market prices. Investment earnings for 2017 were $14,128.

2. 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.

3. Capital Assets

Capital assets, which consist of equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by PACT as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of PACT is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Machinery, furniture, and equipment	3 to 5

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated Paid Time Off (PTO) leave balances. The liability has been calculated using the vesting method, in which leave amounts for all employees who currently are eligible to receive termination pay and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the governmental activities. A liability for these amounts is reported in the General Fund only if they have matured, for example, as a result of employee resignations and retirements.

5. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. PACT has one item, deferred pension outflows that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan contributions paid subsequent to the measurement date, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. At December 31, 2017, there was $289,790 reported as deferred pension outflows.

1. Summary of Significant Accounting Policies

   E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

      6. Deferred Outflows/Inflows of Resources (Continued)

         In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. PACT has two types of deferred inflows. The governmental fund reports unavailable revenue for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental fund balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. At December 31, 2017, there was $372,539 reported as unavailable revenue. PACT also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position. At December 31, 2017, there was $245,030 reported as deferred pension inflows.

      7. Classification of Net Position

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

         Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation.

         Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

8. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which PACT is bound to observe constraints imposed upon the use of the resources in the governmental fund. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Executive Board of Directors or Chief Elected Officials Board.

Those committed amounts cannot be used for any other purpose unless the Executive Board of Directors or Chief Elected Officials Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. The action must be approved no later than the close of the reporting period and remains binding unless removed in the same manner.

Assigned - amounts PACT intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the PACT Director, who has been delegated that authority by a resolution of the Executive Board of Directors and the Chief Elected Officials Board.

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

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

8. Classification of Fund Balances (Continued)

PACT applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

At December 31, 2017, the General Fund had $52,166 in fund balance assigned to grants awarded. The remaining fund balance is classified as unassigned.

9. Minimum Fund Balance

The General Fund is heavily reliant on intergovernmental revenues in the form of federal and state grant awards, some of which are on a reimbursement basis. PACT adopted a minimum fund balance policy for its General Fund to maintain a minimum unassigned fund balance for cash flows equal to 35 to 50 percent of the General Fund operating expenditures. In the event that the balance drops below the established minimum level at the completion of any fiscal year, the Executive Board of Directors shall create a plan to restore the balance to the appropriate level.

The fund balance policy was adopted by the Executive Board of Directors on November 1, 2011, and by the Chief Elected Officials Board on November 9, 2011.

At December 31, 2017, unassigned fund balance for the General Fund was above the minimum fund balance level.

10. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. The Executive Board adopts estimated revenue and expenditure budgets for the General Fund.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Budgetary Information (Continued)

The budget may be amended or modified at any time by the Executive Board. Comparisons of the estimated revenues and expenditures to actual are presented in the financial statements. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the activity level.

Encumbrance accounting, under which contracts and other commitments for expenditures are recorded, is used in the General Fund. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances lapse at year-end and are rebudgeted the following year. Encumbrances outstanding at year-end were not reported as expenditures in the financial statements and, therefore, are included as part of restricted, committed, or assigned fund balance, as appropriate.

11. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

The appropriated budget is prepared by activity. Transfers of appropriations between activities require approval of the Executive Board. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the activity level. During the year, the Board did not make any budgetary amendments in the General Fund.

B. Excess of Expenditures Over Budget

The following is a summary of activities in the General Fund that had expenditures in excess of budget for the year ended December 31, 2017.

	Expenditures	Final Budget	Excess
Guía	$ 107,631	$ 85,000	$ 22,631
Edward Byrne Memorial Justice Assistance	71,178	-	71,178
Medica Foundation	14,502	-	14,502
Parent Advisory Committee	381	-	381
Crossover - Youth Intervention Program Department of Public Safety Grant	6,610	-	6,610
Bush Foundation ACE's Grant	91,798	-	91,798
Family Group Decision Making Grant	48,320	41,279	7,041

3. Detailed Notes

A. Assets

1. Deposits and Investments

Reconciliation of PACT's total deposits and investments to the basic financial statements is as follows:

Deposits	$ 651,000
Investments	1,939,943
Total Cash and Pooled Investments	$ 2,590,943

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

PACT is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. PACT is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit.

Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, PACT's deposits may not be returned to it. It is PACT's policy to minimize custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit, and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2017, PACT had no exposure to custodial credit risk.

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

b. Investments

PACT may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high-risk” by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers’ acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

PACT does have an Investment Policy Statement for investment risks, described below, complying with the requirements of Minnesota statutes.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is PACT's policy to minimize interest rate risk by (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with PACT's cash requirements. At December 31, 2017, PACT held no investments subject to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. PACT's policy is to minimize credit risk by authorizing only investments allowed under state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is PACT's policy to minimize custodial credit risk by permitting brokers to hold investments only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available,

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

and securities purchased that exceed available SIPC coverage will be transferred to PACT's custodian. As of December 31, 2017, PACT had no exposure to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by PACT's investment in a single issuer. It is PACT's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The following table presents PACT's deposit and investment balances at December 31, 2017, and information relating to potential investment risk:

	Credit Risk		Concentration	Interest Rate Risk	
Investment - Issuer	Credit Rating	Rating Agency	Risk (%)	Maturity Date	Fair Value
Negotiable certificates of deposit					
American Express Bank US	N/A	N/A	12.64	08/31/2020	$ 245,283
Capital One US	N/A	N/A	12.63	08/16/2021	245,041
Discover Bank US	N/A	N/A	12.63	09/01/2021	244,971
Goldman Sachs Bank US	N/A	N/A	12.64	05/31/2022	245,253
Morgan Stanley Bank US	N/A	N/A	12.70	09/03/2019	246,301
Total negotiable certificates of deposit					$ 1,226,849
Investment pools					
MAGIC Portfolio	N/R	N/A	23.87		463,024
Money market account with broker	N/R	N/A	12.89		250,070
Total investments					$ 1,939,943
Deposits					651,000
Total Cash and Investments					$ 2,590,943

N/A - Not Applicable; N/R - Not Rated

3. Detailed Notes

   A. Assets

      1. Deposits and Investments (Continued)

PACT measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2017, PACT had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Negotiable certificates of deposit	$ 1,226,849	$ -	$ 1,226,849	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 463,024			
Money Market Mutual Fund	250,070			
Total investments measured at the NAV	$ 713,094			

All Level 2 debt securities are valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). PACT invests in this pool for the purpose of the joint investment of PACT's money with those of counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of the MAGIC Portfolio and the MAGIC CD Program.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as PACT has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

PACT also invests in money market funds for the benefit of liquid investments that can be readily re-invested. Money market funds held by PACT seek a constant NAV of $1.00 per share.

2. Accrued Interest

Interest accrued related to the non-negotiable certificates of deposit purchased through the MAGIC Fund investment account is $2,326 and negotiable certificates of deposit purchased with Frandsen Investment Services through LPL Financial is $7,348, for a total of $9,674 as of December 31, 2017.

3. Receivables

PACT did not have any receivables scheduled to be collected beyond one year as of December 31, 2017. No allowance has been made for uncollectible receivables because such amounts are not expected to be material.

3. Detailed Notes

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Machinery, furniture, and equipment	$ 161,970	$ -	$ -	$ 161,970
Less: accumulated depreciation for				
Machinery, furniture, and equipment	(152,364)	(9,372)	-	(161,736)
Total Capital Assets, Net	$ 9,606	$ (9,372)	$ -	$ 234

Depreciation expense of $9,372 was charged to PACT's general government function for the year ending December 31, 2017.

B. Liabilities

1. Operating Leases

PACT is committed under an operating lease for its current office space through June 30, 2018. This lease will be replaced with a similar lease expiring June 30, 2020. Lease expenditures for the facilities in 2017 were $35,550. Future minimum payments for the current lease total $17,775 ending June 30, 2018.

2. Paid Time Off (PTO)

Employees are granted Paid Time Off (PTO) in varying amounts based on their length of service and allows full-time and eligible less than full-time employees (either exempt or non-exempt) to accrue compensated time off without categorical barriers. PTO accrues per pay period on a step basis, with a maximum number of hours allowed to remain in the bank at the end of any given year.

3. Detailed Notes

B. Liabilities

2. Paid Time Off (PTO) (Continued)

If a staff member's PTO bank exceeds the 320 hour maximum, he or she will be allowed until the last day of the year to reduce banked hours, or on January 1 of each year, the PTO bank will be reduced to the maximum allowance. PTO leave accrual varies from 18 to 31 days per year. PACT pays unused accumulated vested PTO leave to eligible employees upon termination.

Unvested PTO leave is not paid to employees at termination. Unvested PTO not expected to vest, valued at $44,116 at December 31, 2017, is not reported in the financial statements.

3. Long-Term Liabilities - Compensated Absences

Changes in PACT's compensated absences balances for the year ended December 31, 2017, are:

	Payable January 1	Additions	Deductions	Payable December 31
Vested PTO	$ 80,466	$ 2,817	$ 998	$ 82,285

Compensated absences estimated to be paid within one year are $20,571.

4. Defined Benefit Pension Plan

A. Plan Description

All full-time and certain part-time employees of PACT are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

4. Defined Benefit Pension Plan

A. Plan Description (Continued)

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

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 General Employees Retirement Plan Coordinated Plan and Basic Plan members. Members hired prior to July 1, 1989, receive 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year.

4. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

Under 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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

C. Contributions

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. General Employees Retirement Plan Basic members, Coordinated Plan members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2017.

In 2017, PACT was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75

The employee and employer contribution rates did not change from the previous year.

4. Defined Benefit Pension Plan

C. Contributions (Continued)

PACT's contribution for the General Employees Retirement Plan for the year ended December 31, 2017, were $83,070. The contributions are equal to the contractually required contributions as set by state statute.

D. Pension Costs

At December 31, 2017, PACT reported a liability of $1,193,796 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. PACT's proportion of the net pension liability was based on PACT's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, PACT's proportion was 0.0187 percent. It was 0.0188 percent measured as of June 30, 2016. PACT recognized pension expense of $150,444 for its proportionate share of the General Employees Retirement Plan's pension expense.

PACT also recognized $434 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

PACT's proportionate share of the net pension liability	$	1,193,796
State of Minnesota's proportionate share of the net pension liability associated with PACT		15,018
Total	$	1,208,814

4. Defined Benefit Pension Plan

D. Pension Costs (Continued)

PACT reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 39,344	$ 78,082
Changes in actuarial assumptions	199,256	119,678
Difference between projected and actual investment earnings	11,289	-
Changes in proportion	-	47,270
Contributions paid to PERA subsequent to the measurement date	39,901	-
Total	$ 289,790	$ 245,030

The $39,901 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 23,684
2019	56,196
2020	(24,343)
2021	(50,678)

4. Defined Benefit Pension Plan (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees was assumed to be 1.0 percent through 2044, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was dated June 30, 2015.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

4. Defined Benefit Pension Plan (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

4. Defined Benefit Pension Plan (Continued)

H. Pension Liability Sensitivity

The following presents PACT's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what PACT's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Proportionate share of the General Employees Retirement Plan net pension liability	$ 1,851,666	$ 1,193,796	$ 655,209

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

PACT 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. PACT has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from workers' compensation and property and casualty. PACT purchases commercial insurance for other risks of loss. There were no significant reductions in insurance coverage from the previous year or settlements in excess of coverage for any of the past three years.

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess PACT in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and PACT pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess PACT in a method and amount to be determined by MCIT.

B. Claims and Litigation

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

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT A-1

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with PACT for Families (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0187%	$ 1,193,796	$ 15,018	$ 1,208,814	$ 1,171,997	101.86%	75.90%
2016	0.0188	1,526,467	19,889	1,546,356	1,163,927	131.15	68.91
2015	0.0198	1,026,139	N/A	1,026,139	1,161,554	88.34	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT A-2

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	$ 83,070	$ 83,070	$ -	$ 1,107,601	7.50%
2016	91,659	91,659	-	1,222,124	7.50
2015	87,348	87,348	-	1,164,631	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
Putting All Communities Together for Families Collaborative's year-end is December 31.

Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2016 (Continued)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT A-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice				
Passed through Minnesota Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-JAG-2017-PACT-00012	**$ 71,178**	**$ -**
U.S. Department of Education				
Passed through Minnesota Department of Education				
Twenty-First Century Community Learning Centers	84.287	96677	$ 205,366	$ 116,628
Twenty-First Century Community Learning Centers	84.287	128914	502,256	364,741
(Total Twenty-First Century Community Learning Centers 84.287 $707,622)				
Total U.S. Department of Education			**$ 707,622**	**$ 481,369**
U.S. Department of Health and Human Services				
Passed through Renville County, Minnesota				
Drug-Free Communities Support Program Grants	93.276	5H79SP017154-07	$ 87,181	$ -
Promoting Safe and Stable Families				
Family Group Decision Making Grant	93.556	Not Provided	42,137	-
Passed through Minnesota Department of Human Services				
Block Grants for Prevention and Treatment of Substance Abuse				
Guía Special Populations Chemical Health Grant	93.959	GRK%51429	116,161	-
Total U.S. Department of Health and Human Services			**$ 245,479**	**$ -**
Total Federal Awards			**$ 1,024,279**	**$ 481,369**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Putting All Communities Together for Families Collaborative (PACT). PACT's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of PACT under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of PACT, it is not intended to and does not present the financial position or changes in net position of PACT.

3. Summary of Significant Accounting Policies

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. PACT has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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Management and Compliance Section

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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*

Independent Auditor's Report

Executive Board
Putting All Communities Together for Families Collaborative
Willmar, Minnesota

We have audited, 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, the financial statements of the governmental activities and the General Fund of Putting All Communities Together for Families Collaborative (PACT) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise PACT's basic financial statements, and have issued our report thereon dated September 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PACT's internal control over financial reporting to determine the 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 PACT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PACT's internal control over financial reporting.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 PACT's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PACT's financial statements are free from 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

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of PACT's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding, public indebtedness, and tax increment financing because PACT did no contracting, did not issue debt, and does not administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that PACT failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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 PACT's noncompliance with the above referenced provisions.

PACT's Response to Finding

PACT's response to the internal control finding identified in our audit is described in the Corrective Action Plan. PACT's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of PACT's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PACT's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 12, 2018

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REBECCA OTTO
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Executive Board
Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Report on Compliance for the Major Federal Program

We have audited Putting All Communities Together for Families Collaborative's (PACT) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on PACT's major federal program for the year ended December 31, 2017. PACT's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for PACT's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PACT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of PACT's compliance with those requirements.

Opinion on the Major Federal Program
In our opinion, PACT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of PACT is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PACT's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PACT's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 12, 2018

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over the major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Twenty-First Century Community Learning Centers	CFDA No. 84.287

The threshold for distinguishing between Types A and B programs was $750,000.

PACT qualified as a low-risk auditee? **Yes**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding Number 2017-001

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. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a 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: Material audit adjustments were identified that resulted in significant changes to PACT's financial statements. The adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements.

Context: The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of PACT's internal control.

Effect: The following audit adjustments were necessary:

General Fund

- Increased deferred inflows of resources - unavailable revenue and decreased federal intergovernmental revenue (CFDA No. 93.276) and charges for services by $128,419 to record transactions invoiced in 2017 but not received within 60 days after year-end.

- Increased due from other governments and federal intergovernmental revenue (CFDA Nos. 84.287, 93.276, 93.556, and 93.959) by $171,405 to record receivables for transactions invoiced in 2017 but received in 2018.

Cause: Oversight and a change in the grant analysis process.

Recommendation: We recommend PACT review internal controls currently in place 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 a qualified individual to identify potential misstatements.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

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PACT for Families Collaborative

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Phone (320) 231-7030; Fax (320) 231-7033; www.pactforfamilies.org

Putting All Communities Together in the Counties of Kandiyohi, Meeker, McLeod, Renville and Yellow Medicine

REPRESENTATION OF PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE WILLMAR, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2017-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Jolene Lambert, Finance and Benefits Coordinator

Corrective Action Planned:

In calendar year 2018, PACT for Families will use an updated grants analysis. The Fiscal Host will provide quarterly review over receivables and unavailable revenues to ensure it is properly recorded.

Anticipated Completion Date:

Ending December 31, 2018