State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than $40 billion in annual financial activity by local governments and approximately $20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice**: Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.

- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

  This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information**: Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.

- **Legal/Special Investigations**: Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.

- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.

- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.

- **Tax Increment Financing (TIF)**: Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Year Ended December 31, 2022

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

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Introductory Section

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Organization
December 31, 2022

	Position	Agency	Term Expires
Executive Board			
MaryJo DeCathelineau	Chair	Corrections	2023
Wendell Veurink	Vice Chair	Mental Health	2022
Leah Lundgren	Member	Member at Large	2024
Lori Anderson	Member	Parent Representative	2024
William Deterling	Member	Parent Representative	2022
Heather Jeseritz	Member	Member at Large	2024
Diane Winter	Member	Public Health	2023
Michelle Mortensen	Member	Public Schools	2023
Rae Ann Keeler-Aus	Member	Social Services	2022
Fiscal Supervisor			
Brenda Peterson			
Director			
Sarah Vonderharr			

	Position	Agency
Chief Elected Officials Board		
Robert Fox	Chair	Renville County Commissioner
Corky Berg	Vice Chair	Kandiyohi County Commissioner
Daryl Luthens	Member	McLeod County Commissioner
Paul Johnson	Member	Meeker County Commissioner
Greg Renneke	Member	Yellow Medicine County Commissioner

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise PACT's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PACT, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, PACT adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PACT's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PACT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PACT's basic financial statements. The Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, 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.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

December 14, 2023

Management's Discussion and Analysis

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Management's Discussion and Analysis
December 31, 2022
(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, 2022. 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 2022 fiscal year include the following:

- Total net position is $1,624,807 of which $1,622,317 is unrestricted.
- Net position decreased for the year ending December 31, 2022, by $299,273.
- PACT has federally-funded grants that pass through other counties and state departments:

Special Populations Chemical Health Grant entitled Guía, from the Minnesota Department of Human Services Alcohol and Drug Abuse Division	$	169,955
Family Group Decision Making Grant passed through Renville County Human Services from the Minnesota Department of Human Services		3,132
Families Forever; Family Permanency through the Minnesota Department of Human Services		200,768

- PACT also has federally-funded grants directly from the U.S. Department of Health and Human Services; Substance Abuse Mental Health Services Administration (SAMHSA) as follows:

Journey To Independence System of Care	$	554,681
Partnerships For Success		386,464
Mental Health Awareness Training		30,802

- Government-wide net position decreased 15.55 percent from the prior year.
- Overall government-wide revenues totaled $2,609,048 and were $120,879 more than the prior year and $299,273 less than expenses.
- The General Fund's fund balance decreased $196,375, or 7.06 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 $1,624,807 on December 31, 2022.

Table 1
Net Position

		2022		2021	Percent Change (%)
Assets					
Cash and investments	$	2,012,422	$	2,210,892	(8.98)
Accrued interest receivable		10,920		4,947	120.74
Due from other governments		886,245		825,440	7.37
Capital assets		52,375		5,290	890.08
Total Assets	$	2,961,962	$	3,046,569	(2.78)
Deferred Outflows of Resources					
Deferred other postemployment benefits outflows	$	2,010	$	1,999	.55
Deferred pension outflows		694,689		714,742	(2.81)
Total Deferred Outflows of Resources	$	696,699	$	716,741	(2.80)
Liabilities					
Accounts payable	$	10,722	$	6,309	69.95
Salaries payable		93,396		94,318	(.98)
Accrued payroll taxes		5,993		6,180	(3.03)
Due to other governments		21,492		35,338	(39.18)
Long-term liabilities					
Due within one year		50,979		21,435	137.83
Due in more than one year		70,422		64,306	9.51
Other postemployment benefits liability		40,290		35,802	12.54
Net pension liability		1,718,647		815,656	110.71
Total Liabilities	$	2,011,941	$	1,079,344	86.40
Deferred Inflows of Resources					
Other postemployment benefits inflows	$	953	$	1,271	(25.02)
Pension inflows		20,960		758,615	(97.24)
Total Deferred Inflows of Resources	$	21,913	$	759,886	(97.12)
Net Position					
Net investment in capital assets	$	2,490	$	5,290	(52.93)
Unrestricted		1,622,317		1,918,790	(15.45)
Total Net Position	$	1,624,807	$	1,924,080	(15.55)

Table 2
Change in Net Position

	2022	2021	Percent Change (%)
Revenues			
Program Revenues			
Intergovernmental	$ 1,763,618	$ 1,671,488	5.51
Charges for services	586,492	575,632	1.89
General revenues			
Gifts and contributions	229,393	238,713	(3.90)
Investment earnings	29,545	2,336	1164.77
Total Revenues	$ 2,609,048	$ 2,488,169	4.86
Expenses			
Program expenses			
General government	$ 2,907,868	$ 2,436,455	19.35
Debt service – interest	453	-	100.00
Total Expenses	$ 2,908,321	$ 2,436,455	19.37
Increase (Decrease) in Net Position	$ (299,273)	$ 51,714	(678.71)
Beginning Net Position	$ 1,924,080	$ 1,872,366	2.76
Ending Net Position	$ 1,624,807	$ 1,924,080	(15.55)

Capital Assets

As of December 31, 2022, PACT had $52,375 invested in capital assets (see Table 3 below).

Table 3
Capital Assets at Year-End

	2022	2021
Machinery, furniture, and equipment	$ 66,886	$ 66,886
Less: accumulated depreciation	(64,241)	(61,596)
Leased building	66,308	-
Less: accumulated amortization	(16,578)	-
Net Capital Assets	$ 52,375	$ 5,290

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 $2,586,234, which is less than last year's fund balance of $2,782,609 by $196,375, a decrease of 7.06 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 2022. Actual revenues were less than budgeted by $372,435; expenditures were less than budgeted by $181,532. 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 federal systems.

The decrease in total net position is due to expenses over revenues. Net position decreased by $299,273. Revenues came below expected (budgeted) due to variations in grant revenues budgeted during the budget cycle and grant revenues received during the calendar year. These grants (for example, Guía and Partnerships for Success, etc.) are based on a state or federal 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 overestimated when compared on a modified accrual basis.

Factors Bearing on the Future and Next Year's Grant Budgets and Rates

While grant funding is always a bit tenuous, most of our current grants are moving forward. As we work on sustainability of our current programs, we continue to seek further federal funding for future projects that fit the needs of our communities and families. We continue to seek and obtain local and foundational dollars to build resilience and independence for families who face challenges.

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. Future planning for LCTS funds includes exploring participation within our current membership and providing additional training and resources to increase revenues during 2024.

We continue to streamline as many of our expenses as possible. Our Executive Board continues to examine our future financial plans, keeping our budget as stable as possible between income and expenses during these uncertain times. We look at ways we can use collaborative funds on behalf of children and families in our five counties in the most effective and resourceful manner and continue to explore possible funding opportunities.

On June 30, 2023, the state-funded Guia grant through MN Department of Human Services will conclude. In addition, changes to the contracts between our schools and school social workers/counselors will move into step two of the process that began with the 2023/24 school year with contracts moving from a 75/25 split to an 85/15 split with schools paying 85 percent of total salaries and benefits. Step three which begins with the 2024/25 school year (July 1, 2024) will move to a 90/10 split with schools paying 90 percent for total salaries and benefits for the school social worker/counselor in their respective districts. Some staff will move to being school district employees at this point and some will remain with PACT. The final step will be July 1, 2025, when schools will be obligated to pay 100 percent of salaries/benefits.

Previous programming, each with separate budgets through LCTS dollars, Wraparound, Connecting Families Program, Family Liaison, and Parent Advisory Committee have been streamlined under one umbrella what we call *Family Support Services (FSS).* Support for FSS is a combination of LCTS and foundation funding. It is estimated that streamlining these family-based services will be a three percent savings in the 2024 organizational budget.

The remaining funded grants will remain active in 2023 and beyond as follows:

Journey to Independence is a federal System of Care Funding through SAMHSA. This project proposes expanded support to youth ages 16-21 who struggle with recognized severe emotional disturbances or serious mental illness (SED/SMI) or emerging mental health issues, and their parents by utilizing the Transition to Independence Planning (TIP) Model® and collaborating with key community members, mental health providers, and policy makers. The project will continue to assist youth in developing greater self-sufficiency and independence while emphasizing the role of parents/guardians in guiding and supporting their youth through the transition to adulthood. *Journey to Independence* represents a shift in service delivery and wraparound support that will improve the resilience of our targeted rural youth, nurture more durable parent-child bonds, and sway communities to adopt similar systems of care and to recognize the value of investing in this transition point.

Partnerships for Success through SAMHSA is a project to increase prevention infrastructure to counteract the onset of substance abuse and reduce progression and its related problems. Specifically, it is to support a reduction in underage drinking, marijuana use, and addiction to nicotine through vaping/e-cigarette use among youth and adults aged nine and up, by increasing the capacity of school districts and organizations in Kandiyohi, Renville, and Yellow Medicine Counties to implement effective prevention programming.

Road To Success (RTS) is a federal System of Care Funding through SAMHSA which began in October 2023. RTS envisions an expansion of our support services to transition-aged youth, specifically targeting individuals aged 16-25 who are either experiencing emerging mental health challenges or are at risk of receiving diagnoses related to Serious Emotional Disturbance (SED) or Serious Mental Illness (SMI). Our approach involves the utilization of the well-regarded Transition to Independence Planning (TIP) Model®, in close collaboration with key stakeholders within the community, mental health service providers, and policymakers. We are excited to announce that RTS has been granted an annual award of $630,000 for the next five years, which will enable us to expand our services and reach even more individuals in need of support during their transition to adulthood. We are dedicated to making a meaningful and lasting difference in the lives of these young individuals and their families.

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 Northeast, Suite 2030, Willmar, Minnesota 56201; (320) 231-7030.

Basic Financial Statements

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit 1

Statement of Net Position and
Governmental Fund Balance Sheet
December 31, 2022

	General Fund	Adjustments	Statement of Net Position
Assets and Deferred Outflows of Resources			
Assets			
Cash and pooled investments	$ 2,012,422	$ -	$ 2,012,422
Accrued interest receivable	10,920	-	10,920
Due from other governments	886,245	-	886,245
Capital assets			
Depreciable/amortizable – net	-	52,375	52,375
Total Assets	**$ 2,909,587**	**$ 52,375**	**$ 2,961,962**
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	$ -	$ 2,010	$ 2,010
Deferred pension outflows	-	694,689	694,689
Total Deferred Outflows of Resources	**$ -**	**$ 696,699**	**$ 696,699**
Total Assets and Deferred Outflows of Resources	**$ 2,909,587**	**$ 749,074**	**$ 3,658,661**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Accounts payable	$ 10,722	$ -	$ 10,722
Salaries payable	93,396	-	93,396
Accrued payroll taxes	5,993	-	5,993
Due to other governments	21,492	-	21,492
Long-term liabilities			
Due within one year	-	50,979	50,979
Due in more than one year	-	70,422	70,422
Other postemployment benefits liability	-	40,290	40,290
Net pension liability	-	1,718,647	1,718,647
Total Liabilities	**$ 131,603**	**$ 1,880,338**	**$ 2,011,941**
Deferred Inflows of Resources			
Unavailable revenue	$ 191,750	$ (191,750)	$ -
Deferred other postemployment benefits inflows	-	953	953
Deferred pension inflows	-	20,960	20,960
Total Deferred Inflows of Resources	**$ 191,750**	**$ (169,837)**	**$ 21,913**

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit 1
(Continued)

Statement of Net Position and Governmental Fund Balance Sheet December 31, 2022

	General Fund	Adjustments	Statement of Net Position
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)			
Fund Balance			
Unassigned	**$ 2,586,234**	**$ (2,586,234)**	
Net Position			
Net investment in capital assets		$ 2,490	$ 2,490
Unrestricted		1,622,317	1,622,317
Total Net Position		**$ 1,624,807**	**$ 1,624,807**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 2,909,587**	**$ 749,074**	**$ 3,658,661**

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

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit 1
(Continued)

Statement of Net Position and
Governmental Fund Balance Sheet
December 31, 2022

Reconciliation of the General Fund Balance to Net Position				
Fund Balance – General Fund			$	**2,586,234**
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.				52,375
Deferred outflows of resources resulting from other postemeployment benefits and pension obligations are not available resources and, therefore, are not reported in the governmental fund.				
Deferred other postemployment benefits outflows	$	2,010		
Deferred pension outflows		694,689		696,699
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental fund.				191,750
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.				
Leases payable	$	(49,885)		
Compensated absences		(71,516)		
Other postemployment benefits liability		(40,290)		
Net pension liability		(1,718,647)		(1,880,338)
Deferred inflows of resources resulting from other postemployment benefits and pension obligations are not due and payable in the current period and, therefore, not reported in the governmental fund.				
Deferred other postemployment benefits inflows	$	(953)		
Deferred pension inflows		(20,960)		(21,913)
Net Position – Governmental Activities			$	**1,624,807**

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit 2

Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended December 31, 2022

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	$ 1,676,307	$ 87,311	$ 1,763,618
Investment earnings	23,572	5,973	29,545
Gifts and contributions	229,393	-	229,393
Charges for services	604,551	(18,059)	586,492
Total Revenues	**$ 2,533,823**	**$ 75,225**	**$ 2,609,048**
Expenditures/Expenses			
Current			
General government			
General	$ 136,382	$ 175,323	$ 311,705
Local Collaborative Time Study	1,138,813	-	1,138,813
Guia	156,453	-	156,453
Bush Foundation ACEs Grant	47,669	-	47,669
Family Group Decision Making	3,801	-	3,801
Connecting Families Program	35,250	-	35,250
Mental Health Awareness Training	30,802	-	30,802
Families Forever – Family Permanency	206,583	-	206,583
Journey To Independence	568,855	-	568,855
Partnerships For Success	388,714	-	388,714
Depreciation and amortization	-	19,223	19,223
Capital Outlay			
General government	66,308	(66,308)	-
Debt Service			
Principal	16,423	(16,423)	-
Interest	453	-	453
Total Expenditures/Expenses	**$ 2,796,506**	**$ 111,815**	**$ 2,908,321**
Excess of Revenues Over (Under) Expenditures/Expenses	**$ (262,683)**	**$ (36,590)**	**$ (299,273)**
Other Financing Sources (Uses)			
Proceeds from leases	**66,308**	**(66,308)**	-
Net Change in Fund Balance/Net Position	**$ (196,375)**	**$ (102,898)**	**$ (299,273)**
Fund Balance/Net Position – January 1	**2,782,609**	**(858,529)**	**1,924,080**
Fund Balance/Net Position – December 31	**$ 2,586,234**	**$ (961,427)**	**$ 1,624,807**

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

Exhibit 2
(Continued)

Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended December 31, 2022

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

Net Change in Fund Balance			$	**(196,375)**
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.				
Unavailable revenue – December 31	$	191,750		
Unavailable revenue – January 1		(116,525)		75,225
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 and amortization expense.				
Expenditures for general capital assets	$	66,308		
Current year depreciation and amortization		(19,223)		47,085
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.				
Principal payments on leases	$	16,423		
Leases issued		(66,308)		(49,885)
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	$	14,225		
Change in other postemployment benefits liability		(4,488)		
Change in net pension liability		(902,991)		
Change in deferred other postemployment benefit outflows		11		
Change in deferred other postemployment benefit inflows		318		
Change in deferred pension outflows		(20,053)		
Change in deferred pension inflows		737,655		(175,323)
Change in Net Position of Governmental Activities			**$**	**(299,273)**

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit 3

Budgetary Comparison Statement
Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 2,053,749	$ 2,053,749	$ 1,676,307	$ (377,442)
Investment earnings	30,926	30,926	23,572	(7,354)
Gifts and contributions	242,535	242,535	229,393	(13,142)
Charges for services	579,048	579,048	604,551	25,503
Total Revenues	**$ 2,906,258**	**$ 2,906,258**	**$ 2,533,823**	**$ (372,435)**
Expenditures				
Current				
General government				
General	$ 166,476	$ 166,476	$ 136,382	$ 30,094
Local Collaborative Time Study	1,217,813	1,217,813	1,138,813	79,000
Guia	177,500	177,500	156,453	21,047
Brain Conference	12,000	12,000	-	12,000
Bush Foundation ACEs Grant	-	-	47,669	(47,669)
Family Group Decision Making	3,000	3,000	3,801	(801)
Connecting Families Program	-	-	35,250	(35,250)
Mental Health Awareness Training	125,000	125,000	30,802	94,198
Families Forever – Family Permanency	276,249	276,249	206,583	69,666
Journey To Independence	600,000	600,000	568,855	31,145
Partnerships For Success	400,000	400,000	388,714	11,286
Total general government	**$ 2,978,038**	**$ 2,978,038**	**$ 2,713,322**	**$ 264,716**
Capital Outlay				
General government	**$ -**	**$ -**	**$ 66,308**	**$ (66,308)**
Debt Service				
Principal	$ -	$ -	$ 16,423	$ (16,423)
Interest	-	-	453	(453)
Total Debt Service	**$ -**	**$ -**	**$ 16,876**	**$ (16,876)**
Total Expenditures	**$ 2,978,038**	**$ 2,978,038**	**$ 2,796,506**	**$ 181,532**
Excess of Revenues Over (Under) Expenditures	**$ (71,780)**	**$ (71,780)**	**$ (262,683)**	**$ (190,903)**
Other Financing Sources (Uses)				
Proceeds from leases	**-**	**-**	**66,308**	**66,308**
Net Change in Fund Balance	**$ (71,780)**	**$ (71,780)**	**$ (196,375)**	**$ (124,595)**
Fund Balance – January 1	**2,782,609**	**2,782,609**	**2,782,609**	**-**
Fund Balance – December 31	**$ 2,710,829**	**$ 2,710,829**	**$ 2,586,234**	**$ (124,595)**

Note 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, 2022. 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.

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.

Beginning January 1, 2020, Yellow Medicine County Family Services became the fiscal agent for PACT. Prior to that, McLeod County Family Services had acted as the fiscal agent for PACT since January 1, 2016.

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: net 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.

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 principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of acquisitions under leases are reported as other financing sources.

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.

Reconciliation of Government-Wide Fund Financial Statements

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

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

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, 2022, based on market prices. Investment earnings for 2022 were $23,572.

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.

Capital Assets

Capital assets, which consist of equipment and right-to-use assets, 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. Donated capital assets are recorded at acquisition value.

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.

Machinery, furniture, and equipment of PACT are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying assets' estimated useful life or lease term:

Estimated Useful Lives of Capital Assets

Assets	Years
Machinery, furniture, and equipment	3-5
Right-to-use buildings	2-5

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 and reported as both current and noncurrent in the governmental activities. The current portion is based on percentages predetermined by management based on historical information. The noncurrent portion consists of the remaining PTO. 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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. PACT reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. PACT has three 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. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. PACT also reports deferred inflows of resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Classification of Net Position

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

Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation and amortization and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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 net investment in capital assets.

Classification of Fund Balance

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.

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.

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, 2022, unassigned fund balance for the General Fund was above the minimum fund balance level.

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.

Change in Accounting Principles

During the year ended December 31, 2022, PACT for Families Collaborative adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the government-wide financial statements by increasing the beginning balances of the right-to-use capital assets and leases payable by $66,308.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

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

The budget may be amended or modified at any time by the Executive Board. No budgetary amendments were made during the year.

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, 2022.

Excess of Expenditures Over Budget

	Expenditures	Final Budget	Excess
Bush Foundation ACEs Grant	$ 47,669	$ -	$ 47,669
Family Group Decision Making	3,801	3,000	801
Connecting Families Program	35,250	-	35,250
Capital Outlay	66,308	-	66,308
Debt Service – Principal	16,423	-	16,423
Debt Service – Interest	453	-	453

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of PACT's Total Cash and Investments to the Basic Financial Statements as of December 31, 2022

Deposits	$ 395,000
Investments	1,617,422
Total Cash and Pooled Investments	$ 2,012,422

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.

In accordance with Minnesota statutes, PACT maintains deposits at depository banks authorized by the Board. The carrying amount and bank balance of PACT's deposits with financial institutions was $395,000 as of December 31, 2022.

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, 2022, PACT had no exposure to custodial credit risk.

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.

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, 2022, 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, and securities purchased that exceed available SIPC coverage will be transferred to PACT's custodian. As of December 31, 2022, 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, 2022, and information relating to potential investment risk:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

	Credit Risk			Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Concentration Risk (%)	Maturity Date	Fair Value
Negotiable certificates of deposit					
Encore Bank	N/A	N/A	15.15	02/24/2023	$ 245,000
Pacific Premier Bank	N/A	N/A	0.62	03/22/2023	10,000
CIT Bank NA	N/A	N/A	15.25	03/27/2023	246,632
Silvergate Bank	N/A	N/A	0.86	05/08/2023	14,000
KeyBank NA	N/A	N/A	14.84	05/15/2023	240,000
Comenity Capital Bank	N/A	N/A	15.24	06/29/2023	246,501
American Express National Bank	N/A	N/A	14.40	07/27/2023	233,000
State Bank of India	N/A	N/A	4.39	08/30/2023	70,974
Beal Bank	N/A	N/A	12.85	11/22/2023	207,784
Total negotiable certificates of deposit					$ 1,513,891
Investment pools					
MAGIC Portfolio	N/R	N/A	6.27		101,358
Money market account with broker	N/R	N/A	0.13		2,173
Total investments					$ 1,617,422
Deposits					395,000
Total Cash Investments					$ 2,012,422

N/A – Not Applicable, N/R – Not Rated

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, 2022, PACT had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2022

		Fair Value Measurements Using		
	December 31, 2022	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	$ 1,513,891	$ -	$ 1,513,891	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 101,358			
Money market mutual fund	2,173			
Total investments measured at the NAV	$ 103,531			

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

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 NAV 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.

Accrued Interest

Interest accrued related to the non-negotiable certificates of deposit purchased through the MAGIC Fund investment account is $2,574, and negotiable certificates of deposit purchased with Frandsen Investment Services through LPL Financial is $8,346 for a total of $10,920 as of December 31, 2022.

Receivables

PACT did not have any receivables scheduled to be collected beyond one year as of December 31, 2022. No allowance has been made for uncollectible receivables because such amounts are not expected to be material.

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Machinery, furniture, and equipment	$ 66,886	$ -	$ -	$ 66,886
Less: accumulated depreciation for				
Machinery, furniture, and equipment	(61,596)	(2,645)	-	(64,241)
Total capital assets depreciated	$ 5,290	$ (2,645)	$ -	$ 2,645
Capital assets amortized				
Leased building	$ -	$ 66,308	$ -	$ 66,308
Less: accumulated amortization for				
Leased building	-	(16,578)	-	(16,578)
Total capital assets amortized	$ -	$ 49,730	$ -	$ 49,730
Total Capital Assets, Net	$ 5,290	$ 47,085	$ -	$ 52,375

Depreciation expense of $2,645 and amortization expense of $16,578 was charged to PACT's general government function for the year ending December 31, 2022.

Liabilities

Leases

PACT entered into a lease agreement as lessee for financing the acquisition of office space. PACT is committed under this lease for its current office space through June 30, 2024. The lease is for two years and has been recorded at the present value of the future minimum lease payments as of the inception date.

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2022

Year Ending December 31	Principal	Interest
2023	$ 33,100	$ 652
2024	16,785	91
Total Governmental Activities Lease Payments	$ 49,885	$ 743

Paid Time Off (PTO)

Employees are granted 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.

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 $65,040 at December 31, 2022, is not reported in the financial statements.

Changes in Long-Term Liabilities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Payable January 1	Additions	Deductions	Ending Balance	Due Within One Year
Compensated absences	$ 85,741	$ 70,741	$ 84,966	$ 71,516	$ 17,879
Leases	-	66,308	16,423	49,885	33,100
Total	$ 85,741	$ 137,049	$ 101,389	$ 121,401	50,979

Other Postemployment Benefits (OPEB)

Plan Description

PACT administers an OPEB plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents. PACT provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms
As of the January 1, 2021, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	-
Active plan participants	25
Total	25

Total OPEB Liability

PACT's total OPEB liability of $40,290 was determined by an actuarial valuation as of January 1, 2021, which was measured as of January 1, 2022.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.00 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service to 3.00 percent for 27 or more years of service
Health care cost trend	6.50 percent, grading to 5.00 percent over six years and then 4.00 percent over the next 48 years

The current year's discount rate is 2.00 percent, which is unchanged from the prior year rate. For the current valuation, the discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Mortality rates are based on the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.

The actuarial assumptions are currently based on historical information. The method to develop claims costs was done under the Alternative Measurement Method.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2022

	Total OPEB Liability
Balance at December 31, 2021	$ 35,802
Changes for the year	
Service cost	$ 4,061
Interest	794
Benefit payments	(367)
Net change	$ 4,488
Balance at December 31, 2022	$ 40,290

OPEB Liability Sensitivity

The following presents the total OPEB liability of PACT, calculated using the discount rate previously disclosed, as well as what PACT's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes
In the Discount Rate as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 43,012
Current	2.00%	40,290
1% Increase	3.00%	37,618

The following presents the total OPEB liability of PACT, calculated using the health care cost trend previously disclosed, as well as what PACT's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

Sensitivity of the Total OPEB Liability to Changes
In the Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% decreasing to 4.00%	$ 35,596
Current	6.25% decreasing to 5.00%	40,290
1% Increase	7.25% decreasing to 6.00%	45,726

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, PACT recognized OPEB expense of $4,159. PACT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	$ 231	$ -
Changes in actuarial assumptions	992	953
Contributions made subsequent to the measurement date	787	-
Total	$ 2,010	$ 953

The $787 reported as deferred outflows of resources related to OPEB resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	$ 91
2024	91
2025	88

Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the other postemployment benefits valuation in 2022:

- The health care trends were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year to rates which vary by service.
- The retirement and withdrawal tables were updated.

Defined Benefit Pension Plan

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 (the General Employees 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.

The General Employees 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 the 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 Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No PACT employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees 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.

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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2022. The employer was required to contribute 7.50 percent of annual covered salary in 2022. The employee and employer rates did not change from 2021.

PACT's contributions for the General Employees Plan for the year ended December 31, 2022, were $123,007. The contributions are equal to the statutorily required contributions as set by state statute.

Pension Costs

At December 31, 2022, PACT reported a liability of $1,718,647 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, PACT's proportion was 0.0217 percent. It was 0.0191 percent measured as of June 30, 2021. PACT recognized pension expense of $315,913 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. PACT recognized an additional $7,517 as grant revenue and pension expense, for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

PACT's proportionate share of the net pension liability	$ 1,718,647
State of Minnesota's proportionate share of the net pension liability associated with PACT	50,304
Total	$ 1,768,951

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

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 14,355	$ 15,903
Difference between projected and actual investment earnings	90,577	-
Changes in actuarial assumptions	343,764	5,057
Changes in proportion	185,196	-
Contributions made PERA subsequent to the measurement date	60,797	-
Total	$ 694,689	$ 20,960

The $60,797 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 226,722
2024	231,568
2025	(784)
2026	155,426

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund
Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan per year through December 31, 2054, and 1.50 percent per year thereafter.

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. A review of inflation and investment assumptions dated July 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	33.50%	5.10%
International Equities	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. 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 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.

Changes in Actuarial Assumptions and Plan Provisions

The following change in actuarial assumptions occurred in 2022:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 2,714,693
Current	6.50%	1,718,647
1% Increase	7.50%	901,736

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.

Note 4 – Summary of Significant Contingencies and Other Items

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.

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 2022 and 2023. 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. 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.

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.

Required Supplementary Information

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit A-1

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022

	2022	2021	2020	2019
Total OPEB Liability				
Service cost	$ 4,061	$ 3,943	$ 2,741	$ 2,375
Interest	794	1,056	1,140	1,012
Differences between expected and actual experience	-	387	-	-
Changes of assumption or other inputs	-	(1,589)	1,985	-
Benefit payments	(367)	(900)	(419)	(386)
Net change in total OPEB liability	**$ 4,488**	**$ 2,897**	**$ 5,447**	**$ 3,001**
Total OPEB Liability – Beginning	**35,802**	**32,905**	**27,458**	**24,457**
Total OPEB Liability – Ending	**$ 40,290**	**$ 35,802**	**$ 32,905**	**$ 27,458**
Covered-employee payroll	$ 1,492,962	$ 1,449,478	$ 1,167,956	$ 1,133,938
Total OPEB liability (asset) as a percentage of covered-employee payroll	2.70%	2.47%	2.82%	2.42%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The notes to the required supplementary information are an integral part of this schedule.

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit A-2

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022

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 (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
2022	0.0217 %	$ 1,718,647	$ 50,304	$ 1,768,951	$ 1,625,687	105.72 %	76.67 %
2021	0.0191	815,656	24,930	840,586	1,377,234	59.22	87.00
2020	0.0157	941,287	29,054	970,341	1,119,333	84.09	79.06
2019	0.0157	868,016	26,999	895,015	1,109,006	78.27	80.23
2018	0.0158	876,519	28,719	905,238	1,061,895	82.54	79.53
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

Exhibit A-3

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022

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)
2022	$ 123,007	$ 123,007	$ -	$ 1,640,090	7.50 %
2021	116,300	116,300	-	1,550,662	7.50
2020	89,319	89,319	-	1,190,916	7.50
2019	83,934	83,934	-	1,119,131	7.50
2018	80,323	80,323	-	1,070,971	7.50
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.

Note 1 – Other Postemployment Benefits Funded Status

See Note 3 in the notes to the financial statements for additional information regarding PACT's other postemployment benefits.

Note 2 – Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

Note 3 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the other postemployment benefits valuation performed for the fiscal year December 31:

2022

- There were no changes in actuarial assumptions during the 2022 calendar year.

2021

- The discount rate was changed from 2.90 percent to 2.00 percent.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

2020

- The discount rate was changed from 3.80 percent to 2.90 percent.

Note 4 – 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

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

- The mortality projection scale was changed from Scale MP-2017 to Scale MP-2018.

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

<u>2017</u>

- The Combined Service Annuity (CSA) loads were changed from 0.80 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 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

<u>2016</u>

- 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.
- 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

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Exhibit A-4

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Direct			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			
Journey to Independence Grant	93.104		$ 554,681
Substance Abuse and Mental Health Services – Projects of Regional and National Significance			
Mental Health Awareness Training Grant	93.243		30,802
Substance Abuse and Mental Health Services – Projects of Regional and National Significance			
Partnerships for Success Grant	93.243		386,464
(Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance 93.243 $417,266)			
Passed through Renville County			
Promoting Safe and Stable Families			
Family Group Decision Making Grant	93.556	Not Provided	3,132
Passed through Minnesota Department of Human Services			
Adoption Incentive Payments			
Families Forever – Family Permanency Grant	93.603	1901MNAIPP	200,768
Block Grants for Community Mental Health Services			
Guia Special Populations Chemical Health Grant	93.958	18B1MNCMHS	49,172
Block Grants for Prevention and Treatment of Substance Abuse			
Guia Special Populations Chemical Health Grant	93.959	18B1MNSAPT	120,783
Total U.S. Department of Health and Human Services			**$ 1,345,802**
Total Federal Awards			**$ 1,345,802**

Putting All Communities Together for Families Collaborative did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

Note 1 – Summary of Significant Accounting Policies

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.

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, 2022. 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.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – De Minimis Cost Rate

PACT has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
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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, 2022, and the related notes to the financial statements, which collectively comprise PACT's basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PACT's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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 a 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. A significant deficiency is a deficiency, or a 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements.

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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

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 depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 Other Political Subdivisions* 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/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

December 14, 2023

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program
We have audited Putting All Communities Together for Families Collaborative's (PACT) compliance with the types of compliance requirements identified as subject to audit 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, 2022. PACT's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, PACT complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program
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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PACT and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of PACT's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to PACT's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PACT's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and

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therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PACT's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PACT's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of PACT's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 PACT's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on PACT's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. PACT's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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 a 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 attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on PACT's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. PACT's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

December 14, 2023

Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major federal program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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)? **Yes**

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

The threshold used to distinguish between Type A and B programs was $750,000.

PACT qualified as a low-risk auditee? **No**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

2022-001 **<u>Micro-Purchasing Documentation</u>**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) (Journey to Independence)
Award Number and Year: 6H79SM082970-02M001; 2022 and 5H79SM082970-03; 2023

Pass-Through Agency: Direct Award

Criteria: Title 2 U.S. *Code of Federal Regulations* §§ 200.320(a)(1)(i & ii) state to the maximum extent practicable, the non-Federal entity should distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history, or other information and documents its files accordingly.

Condition: In a sample of eight micro-purchase disbursements tested, none had written documentation supporting why the vendors were selected, and that prices were reasonable.

Questioned Costs: None.

Context: The majority of costs associated with this federal grant are payroll related. PACT's policy for non-payroll disbursements requires an approved Expenditure Authorization Form (EAF) as documentation supporting the reason for the purchase. PACT's policy does not require documentation supporting the reason why the vendor was selected or that the price is reasonable for micro-purchase transactions.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: By not documenting why vendors were selected for micro-purchase transactions, it cannot be determined that purchases were distributed equitably among qualified suppliers or that prices were reasonable.

Cause: Client relied on the approval process and allowability of transactions as to why purchases were made. PACT is aware that multiple vendors need to be considered when practicable but was unaware that it needed to be formally documented.

Recommendation: We recommend that PACT implement additional procedures to document why a vendor is selected and if the price is reasonable for every micro-purchase transaction.

View of Responsible Official: Acknowledge.

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Willmar MN 56201

Representation of Putting All Communities Together for Families Collaborative
Willmar, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001
Finding Title: Micro-Purchasing Documentation
Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (Journey to Independence)

Name of Contact Person Responsible for Corrective Action:

Jolene Lambert, Finance and Benefits Coordinator

Corrective Action Planned:

To keep policies for managing sponsored projects consistent, PACT for Families Collaborative will ensure Uniform Guidance Procurement Standards for all sponsored projects. We will use an updated expenditure authorization process to assure micro-purchases are distributed equitably among qualified suppliers by updating our EAF (Expenditure Authorization Form) to include a process to assure more than one supplier is priced and documented for the most reasonable purchase.

Anticipated Completion Date:

Ending December 31, 2023