STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE WILLMAR, MINNESOTA

Year Ended December 31, 2011

Audit Practice Division
Office of the State Auditor
State of Minnesota

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PUTTING ALL COMMUNITIES TOGETHER 4 FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

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Introductory Section

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

ORGANIZATION
DECEMBER 31, 2011

	Position	Agency	Term Expires
Executive Board			
Greg Schmidt	Chair	Member at Large	2011
Debi Brandt	Vice Chair	Member at Large	2012
Gerald Brustuen	Treasurer	Social Services	2012
Tammy Thompson	Member	Corrections	2011
Jill Bruns	Member	Public Health	2011
Rebecca Romosz	Member	Parent Representative	2012
Laurie Bliss	Member	Parent Representative	2013
Karen Norell	Member	Public Schools	2013
George Dubie	Member	Mental Health Center	2013

Fiscal Supervisor
Valerie Mersch

Director
Deborah Sheehan

	Position	Agency
Chief Elected Officials Board		
Richard Larson	Chair	Kandiyohi County Commissioner
Robert Fox	Vice Chair	Renville County Commissioner
Ron Kutzke	Member	Meeker County Commissioner
Greg Renneke	Member	Yellow Medicine County Commissioner
Bev Wangerin	Member	McLeod County Commissioner

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REBECCA OTTO
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Executive Board
Putting All Communities Together for Families Collaborative

We have audited the accompanying financial statements of the governmental activities and the General Fund of Putting All Communities Together for Families Collaborative (PACT) as of and for the year ended December 31, 2011, which collectively comprise PACT's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of PACT's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of PACT as of December 31, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.E.7. to the financial statements, PACT adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 establishes new fund balance classifications for the governmental fund types and clarifies the definitions of the governmental fund types.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not 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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PACT's basic financial statements as a whole. The supplementary information, which is the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

September 21, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(Unaudited)

This section of the annual financial report presents our Management's Discussion and Analysis (MD&A) of the Putting All Communities Together for Families Collaborative's (PACT) financial performance during the fiscal year that ended December 31, 2011. 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 2011 fiscal year include the following:

- Total net assets are $4,371,018. Of this amount, $4,354,212 is unrestricted and $16,806 is invested in capital assets.

- The net assets decreased by $525,499 for the year ended December 31, 2011.

- PACT also has federally-funded grants that pass through state departments: the Twenty-First Century Community Learning Center from the Minnesota Department of Education for $687,951; the Safe and Drug-Free Schools and Communities - National Programs passed through Renville County Public Health from the U.S. Department of Education for $82,375 and through Yellow Medicine County for $18,630; the Chemical Health Coalitions in Renville and Yellow Medicine Counties from the Minnesota Department of Human Services Alcohol and Drug Abuse Division for $181,502; and a special populations chemical health grant entitled Guía, also from the Minnesota Department of Human Services Chemical Health Division, for $265,949. In addition, PACT has one state-funded grant for Birth to 5 Mental Health from the Minnesota Department of Human Services totaling $137,438. The Chemical Health Coalitions in Renville and Yellow Medicine Counties from the Minnesota Department of Human Services Alcohol and Drug Abuse Division and Birth to 5 Mental Health from the Minnesota Department of Human Services concluded on June 30, 2011. All other projects noted will continue into 2012.

- Government-wide net assets decreased 10.73 percent from the prior year.

- Overall government-wide revenues totaled $2,914,104 and were $525,499 less than expenses.

- The General Fund's fund balance decreased $619,419, or 13.15 percent, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report 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 Assets 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 and liabilities 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 assets - the net assets were $4,371,018 on December 31, 2011.

Table 1
Net Assets

	2011	2010	Percent Change (%)
Assets			
Cash and investments	$ 4,247,471	$ 4,627,812	(8.22)
Accrued interest receivable	1,385	5,299	(73.86)
Accounts receivable	194,049	193,875	0.09
Due from other governments	444,290	448,925	(1.03)
Capital assets			
Depreciable - net	16,806	-	100.00
Total Assets	$ 4,904,001	$ 5,275,911	(7.05)
Liabilities			
Accounts payable	$ 101,608	$ 24,253	318.95
Salaries payable	71,605	78,463	(8.74)
Accrued payroll taxes	5,072	4,159	21.95
Due to other governments	180,298	102,221	76.38
Deferred revenue - unearned	28,525	36,832	(22.55)
Long-term liabilities			
Due within one year	36,469	33,366	9.30
Due after one year	109,406	100,100	9.30
Total Liabilities	$ 532,983	$ 379,394	40.48
Net Assets			
Invested in capital assets	$ 16,806	$ -	100.00
Unrestricted	4,354,212	4,896,517	(11.08)
Total Net Assets	$ 4,371,018	$ 4,896,517	(10.73)

Table 2
Change in Net Assets
Governmental Activities for the Fiscal Year Ended December 31

	2011	2010	Percent Change (%)
Revenues			
Program revenues			
Intergovernmental	$ 1,834,246	$ 1,889,870	(2.94)
Charges for services	867,166	710,153	22.11
General revenues			
Gifts and contributions	174,000	134,043	29.81
Interest on investments	27,260	41,911	(34.96)
Gain on trade-in of capital asset	11,432	-	100.00
Total Revenues	$ 2,914,104	$ 2,775,977	4.98
Expenses			
Program expenses			
General government	3,439,603	3,169,198	8.53
Increase (Decrease) in Net Assets	$ (525,499)	$ (393,221)	
Beginning Net Assets	4,896,517	5,289,738	
Ending Net Assets	$ 4,371,018	$ 4,896,517	

CAPITAL ASSETS

As of December 31, 2011, PACT had $16,806 invested in capital assets. (See Table 3 below.) This amount represents a net increase (including additions and deductions) of $16,806, or 100 percent, from last year.

Table 3
Capital Assets at Year-End

	2011	2010
Equipment	$ 148,445	$ 143,568
Less: accumulated depreciation	(131,639)	(143,568)
Net Capital Assets	$ 16,806	$ -

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 $4,091,831, which is below last year's fund balance of $4,711,250, a decrease of 13.15 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).

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

Most of the news about next year's income is not very optimistic. We have received funding to continue both our 21st Century Community Learning Center and Chemical Health intervention (Guía) grants, but at greatly reduced rates. We are waiting to hear about one other federal grant we have applied for that, if funded, would begin the end of September 2012. The funding for these grants will continue to support some of our infrastructure costs including rent and salaries, but at reduced rates from the past.

Our non-categorical LCTS (local collaborative time study) funding has fluctuated in such a manner that it is difficult to project actual income expectations. This revenue source has not increased as we expected with the addition of a fifth county so our expectations for 2012 are either flat or even somewhat decreased revenue from this source.

On the expense side of the picture, we are streamlining as many of our expenses as possible including cutting down the square footage rental space for our offices and decreasing staff expenses on an administrative level. Our Executive Board is examining our future financial plans with an eye towards optimizing the spend-down of reserves and strategic initiatives that will add to our long-term stability.

Beginning in 2008, PACT's Executive Board began re-envisioning for the future of the organization both fiscally and programmatically. This process has enabled us to respond to our mission and our partners in a time of vastly diminishing financial resources. As we continued this process through 2012, our projections have been mostly on target, but fewer grants appear on the horizon, so we will need to remain vigilant in analyzing sources of revenue as well as expenditures.

CONTACTING PACT FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2011

	General Fund	Adjustments	Governmental Activities
Assets			
Cash and pooled investments	$ 4,247,471	$ -	$ 4,247,471
Accrued interest receivable	1,385	-	1,385
Accounts receivable	194,049	-	194,049
Due from other governments	444,290	-	444,290
Capital assets			
Depreciable - net	-	16,806	16,806
Total Assets	**$ 4,887,195**	**$ 16,806**	**$ 4,904,001**
Liabilities and Fund Balance/Net Assets			
Liabilities			
Accounts payable	$ 101,608	$ -	$ 101,608
Salaries payable	71,605	-	71,605
Accrued payroll taxes	5,072	-	5,072
Due to other governments	180,298	-	180,298
Deferred revenue - unavailable	408,256	(408,256)	-
Deferred revenue - unearned	28,525	-	28,525
Long-term liabilities			
Due within one year	-	36,469	36,469
Due in more than one year	-	109,406	109,406
Total Liabilities	**$ 795,364**	**$ (262,381)**	**$ 532,983**
Fund Balances			
Assigned	$ 992,660	$ (992,660)	
Unassigned	3,099,171	(3,099,171)	
Total Fund Balance	**$ 4,091,831**	**$ (4,091,831)**	
Net Assets			
Invested in capital assets		$ 16,806	$ 16,806
Unrestricted		4,354,212	4,354,212
Total Net Assets		**$ 4,371,018**	**$ 4,371,018**
Total Liabilities and Fund Balance/Net Assets	**$ 4,887,195**	**$ 16,806**	**$ 4,904,001**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2011

Reconciliation of the General Fund Balance to Net Assets		
Fund Balance - General Fund	$	**4,091,831**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		16,806
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund.		408,256
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental fund.		(145,875)
Net Assets - Governmental Activities	**$**	**4,371,018**

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	$ 1,744,723	$ 89,523	$ 1,834,246
Interest on investments	27,260	-	27,260
Gifts and contributions	174,000	-	174,000
Charges for services	867,166	-	867,166
Gain on trade-in of capital asset	-	11,432	11,432
Total Revenues	**$ 2,813,149**	**$ 100,955**	**$ 2,914,104**
Expenditures/Expenses			
Current			
General government			
General	$ 395,989	$ 1,840	$ 397,829
Local Collaborative Time Study	1,650,320	-	1,650,320
Twenty-First Century Community Learning Centers	687,951	-	687,951
Birth to 5 Mental Health	137,438	-	137,438
Renville County Chemical Health Grant	98,768	-	98,768
Yellow Medicine County Chemical Health Grant	82,734	-	82,734
Guia	265,949	-	265,949
Drug Free Communities - Renville County	82,375	-	82,375
Drug Free Communities - Yellow Medicine County	18,630	-	18,630
Pohlad Foundation	11,000	-	11,000
Other	1,414	-	1,414
Depreciation	-	5,195	5,195
Total Expenditures/Expenses	**$ 3,432,568**	**$ 7,035**	**$ 3,439,603**
Net Change in Fund Balance/Net Assets	**$ (619,419)**	**$ 93,920**	**$ (525,499)**
Fund Balance/Net Assets - January 1	**4,711,250**	**185,267**	**4,896,517**
Fund Balance/Net Assets - December 31	**$ 4,091,831**	**$ 279,187**	**$ 4,371,018**

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

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT 2
(Continued)

STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2011

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities		
Net Change in Fund Balance	$	**(619,419)**
Under the modified accrual basis, receivables not available for expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues is the increase or decrease in revenues deferred as unavailable. PACT had $318,733 of deferred revenue unavailable in 2010.		89,523
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays reported as expenditures		10,569
Net effect on capital assets for a trade-in is to increase net assets		11,432
Current year depreciation		(5,195)
Increases in compensated absences payable increase expenses but do not required the use of current financial resources and, therefore, are not reported in the governmental fund operating statement.		(12,409)
Change in Net Assets of Governmental Activities	**$**	**(525,499)**

PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT 3

BUDGETARY COMPARISON
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 1,929,352	$ 1,889,452	$ 1,744,723	$ (144,729)
Interest on investments	46,800	34,280	27,260	(7,020)
Gifts and contributions	174,532	167,724	174,000	6,276
Charges for services	738,699	920,344	867,166	(53,178)
Total Revenues	**$ 2,889,383**	**$ 3,011,800**	**$ 2,813,149**	**$ (198,651)**
Expenditures				
Current				
General government				
General	$ 334,039	$ 553,394	$ 395,989	$ 157,405
Local Collaborative Time Study	1,500,239	1,429,512	1,650,320	(220,808)
Twenty-First Century Community Learning Centers	690,000	690,000	687,951	2,049
Birth to 5 Mental Health	162,349	134,145	137,438	(3,293)
Renville County Chemical Health Grant	100,168	102,379	98,768	3,611
Yellow Medicine County Chemical Health Grant	99,300	89,959	82,734	7,225
Guia	292,000	292,000	265,949	26,051
Drug-Free Communities - Renville County	92,938	89,161	82,375	6,786
Drug-Free Communities - Yellow Medicine County	-	-	18,630	(18,630)
Brain Conference	8,350	20,250	-	20,250
Pohlad Foundation	10,000	11,000	11,000	-
Other	-	-	1,414	(1,414)
Total Expenditures	**$ 3,289,383**	**$ 3,411,800**	**$ 3,432,568**	**$ (20,768)**
Net Change in Fund Balance	**$ (400,000)**	**$ (400,000)**	**$ (619,419)**	**$ (219,419)**
Fund Balance - January 1	**4,711,250**	**4,711,250**	**4,711,250**	**-**
Fund Balance - December 31	**$ 4,311,250**	**$ 4,311,250**	**$ 4,091,831**	**$ (219,419)**

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

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1. Summary of Significant Accounting Policies

Putting All Communities Together for Families Collaborative (PACT) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by PACT is discussed below.

A. Financial Reporting Entity

PACT was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add 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.

Renville County Human Services has acted as fiscal agent for PACT since January 1, 2006.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

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

The government-wide columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. PACT's net assets are reported in two parts: invested in capital assets and unrestricted net assets.

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

C. Measurement Focus and Basis of Accounting

The governmental activities columns are reported using the economic resources measurement focus and the 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.

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

D. Reconciliation of Government-Wide and Fund Financial Statements

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

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

PACT invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which was created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of PACT's position in the pool is the same as the value of the pool shares.

2. Due From/To Other Governments

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

3. Capital Assets

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

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

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

Assets	Years
Machinery, furniture, and equipment	3 to 5

1. Summary of Significant Accounting Policies

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

      4. Compensated Absences

         The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for all employees who currently are eligible to receive termination pay and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the governmental activities.

      5. Deferred Revenue

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

      6. Classification of Net Assets

         Net assets in government-wide statements are classified in the following categories:

         Invested in capital assets, net of related debt - the amount of net assets representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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

         Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

1. Summary of Significant Accounting Policies

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

      7. Classification of Fund Balances

In 2011, PACT implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions. The statement requires retroactive restatement of fund balance for the reclassifications made to conform with this statement. Total fund balance did not change.

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 funds. The classifications are as follows:

Nonspendable - the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 - fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or 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 (ordinance or 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.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

7. Classification of Fund Balances (Continued)

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

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

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

At December 31, 2011, the General Fund had $992,660 in fund balance assigned to grants awarded. The remaining fund balance is classified as unassigned.

8. 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.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

8. Minimum Fund Balance (Continued)

At December 31, 2011, unassigned fund balance for the General Fund was above the minimum fund balance level.

9. Budgetary Information

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

The budget may be amended or modified at any time by the Executive Board. Comparisons of the estimated revenues and expenditures to actual are presented in the financial statements.

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

10. 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 and liabilities 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.

1. Summary of Significant Accounting Policies

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

11. Reclassifications

Fund balance account balances were reclassified as of and for the year ended December 31, 2010, as previously reported, due to implementation of GASB 54. Total fund balance did not change. These reclassifications were required for comparability to the financial statements as of and for the year ended December 31, 2011. Although comparative statements for 2010 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

F. Potential Impact of New Accounting Standards on Current Period Financial Statements

The GASB has approved GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Application of GASB Statement 63 may restate portions of these financial statements.

2. Stewardship, Compliance, and Accountability

The General fund had expenditures in excess of final budget for the year ended December 31, 2011.

	Expenditures	Final Budget	Excess
General Fund	$ 3,432,568	$ 3,411,800	$ 20,768

Expenditures in excess of the final budget are due to payments of competitive grants to partner agencies crossing two fiscal years. The overall allocations to approved grants do not exceed expenditures over the two-year cycle of these grants, but expenditures are in excess of the budget due to the timing of these payments during PACT's fiscal year ended December 31, 2011.

3. Detailed Notes

   A. Assets

      1. Deposits and Investments

         a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, PACT's deposits may not be returned to it. PACT does not have a deposit policy for custodial credit risk. As of December 31, 2011, PACT had no exposure to custodial credit risk, as all bank balances had been swept into the Minnesota Association of Governments Investing for Counties (MAGIC) Fund investment account.

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

b. Investments

PACT may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118.05:

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

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

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

(4) bankers’ acceptances of United States banks;

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

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

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

PACT does not have additional policies for the investment risks, described below, beyond 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. All investments held at December 31, 2011, had maturity dates of 365 days or less at the time of their purchase.

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.

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 that are in the possession of an outside party.

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. PACT did not have an investment in any one issuer that represented five percent or more of PACT's investments.

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

The following table presents PACT's deposit and investment balances at December 31, 2011, and information relating to potential investment risks:

Investment - Issuer	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk (%)	Interest Rate Risk: Maturity Date	Fair Value
Negotiable certificates of deposit					
PFM Asset Management					
Various	N/A	N/A	4.94	05/30/2012	$ 210,000
Various	N/A	N/A	11.68	11/28/2012	496,000
Various	N/A	N/A	17.52	12/17/2012	744,000
Various	N/A	N/A	50.45	12/27/2012	2,143,000
Total negotiable certificates of deposit			84.59		$ 3,593,000
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	15.41		654,471
Total investments			100.00		$ 4,247,471
Deposits					-
Total Cash and Investments					$ 4,247,471

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

2. Accrued Interest

Interest accrued related to the negotiable certificates of deposit purchased through the MAGIC Fund investment account as of December 31, 2011, is $1,385.

3. Receivables

PACT did not have any receivables scheduled to be collected beyond one year as of December 31, 2011.

3. Detailed Notes

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Machinery, furniture, and equipment	$ 143,568	$ 22,001	$ (17,124)	$ 148,445
Less: accumulated depreciation for:				
Machinery, furniture, and equipment	(143,568)	(5,195)	17,124	(131,639)
Total Capital Assets, Net	$ -	$ 16,806	$ -	$ 16,806

Depreciation expense of $5,195 was charged to PACT's general government function for the ending December 31, 2011.

B. Liabilities

1. Deferred Revenue

Deferred revenue of $408,256 in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period is reported in the General Fund. Deferred revenue of $28,525 relates to funds for resources received, but not yet earned.

2. Operating Leases

PACT is committed under an operating lease for its current office space through June 30, 2013. This lease is expected to continue or be replaced with a similar lease. The future minimum payments for the lease are as follows:

Year Ending December 31	Amount
2012	$ 40,998
2013	17,360
Total Lease	$ 58,358

3. Detailed Notes

B. Liabilities

2. Operating Leases (Continued)

Lease expenditures for the facilities in 2011 were $48,205.

3. Vacation and Sick Leave

Employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 28 days per year. Sick leave accrual is 12 to 18 days per year. PACT pays unused accumulated vacation and vested sick leave to employees upon termination. Sick leave is available to employees in case of illness-related absences. Unvested sick leave is not paid to employees at termination. Unused accumulated vacation, vested sick leave, and sick leave expected to vest is accrued as compensated absences. Unvested sick leave not expected to vest, valued at $200,291 at December 31, 2011, is not reported in the financial statements.

4. Long-Term Debt - Compensated Absences

Changes in PACT's compensated absences balances for the year ended December 31, 2011, are:

	Payable January 1	Additions	Deductions	Payable December 31
Vacation leave	$ 91,852	$ 94,998	$ 87,218	$ 99,632
Sick leave	41,614	4,629	-	46,243
Total	$ 133,466	$ 99,627	$ 87,218	$ 145,875

Compensated absences estimated to be paid within one year are $36,469.

4. Pension Plans

A. Plan Description

All full-time and certain part-time employees of PACT are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For General Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 or 66 (depending on date hired). A reduced retirement annuity is also available to eligible members seeking early retirement.

4. Pension Plans

A. Plan Description (Continued)

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. PACT makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary.

PACT is required to contribute the following percentages of annual covered payroll in 2011:

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

PACT's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund were $85,886, $86,808, and $81,971, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

PACT is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. PACT has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from workers' compensation and property and casualty. PACT purchases commercial insurance for other risks of loss. There were no significant reductions in insurance coverage from the previous year or settlements in excess of coverage for any of the past three years.

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 $450,000 per claim in 2011 and $460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess PACT in a method and amount to be determined by MCIT.

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

B. Claims and Litigation

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

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SUPPLEMENTARY INFORMATION

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

EXHIBIT A-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Education			
Passed Through Renville County Public Health			
Safe and Drug-Free Schools and Communities - National Programs	84.184	$	82,375
Passed Through Yellow Medicine County Public Health			
Safe and Drug-Free Schools and Communities - National Programs	84.184		18,630
Passed Through Minnesota Department of Education			
Twenty-First Century Community Learning Centers	84.287		687,951
Total U.S. Department of Education		**$**	**788,956**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Block Grants for Prevention and Treatment of Substance Abuse			
Renville County Chemical Health Grant	93.959	$	98,768
Yellow Medicine County Chemical Health Grant	93.959		82,734
Guia Special Populations Chemical Health Grant	93.959		265,949
Total U.S. Department of Health and Human Services (CFDA #93.959)		**$**	**447,451**
Total Federal Awards		**$**	**1,236,407**

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

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of PACT under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 assets of PACT.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers were not assigned by the pass-through agencies.

4. Subrecipients

Of the expenditures presented in the schedule, PACT provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
84.287	Twenty-First Century Community Learning Centers	$ 517,844

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Management and Compliance Section

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PUTTING ALL COMMUNITIES TOGETHER FOR FAMILIES COLLABORATIVE
WILLMAR, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Twenty-First Century Community Learning Centers	CFDA #84.287
Block Grants for Prevention and Treatment of Substance Abuse	CFDA #93.959

The threshold for distinguishing between Types A and B programs was $300,000.

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

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTEDS ITEMS RESOLVED

Subrecipient Monitoring - Twenty-First Century Community Learning Centers (CFDA #84.287) (10-1)

PACT did not provide the CFDA number, federal agency providing the funding, or a detailed list of compliance requirements to its subrecipients. PACT was also not obtaining audit reports from the schools to verify that the subrecipients had no instances of noncompliance noted during their audits.

Resolution

During 2011, PACT included the CFDA number and related federal and state requirements in the contracts with subrecipients. Additionally, PACT obtains, reviews, and follows up, if necessary, on the subrecipients' audit reports.

Procurement and Suspension and Debarment - Twenty-First Century Community Learning Centers (CFDA #84.287) (10-2)

PACT was not verifying suspension and debarment relative to any of its subrecipients or vendors. OMB Circular A-133 states that this requirement is applicable to this grant.

Resolution

PACT searches for the contractor or vendor in question on the "Excluded Parties List System" via the internet address: http://epls.gov/. Additionally, language regarding suspension and debarment is included in PACT's standard contract.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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*

Executive Board
Putting All Communities Together for Families Collaborative

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, 2011, which collectively comprise PACT's basic financial statements, and have issued our report thereon dated September 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of PACT is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered PACT's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of PACT's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because PACT does not have debt.

The results of our tests indicate that, for the items tested, PACT complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Executive Board, management, others within PACT, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 21, 2012

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Executive Board
Putting All Communities Together for Families Collaborative

Compliance

We have audited Putting All Communities Together for Families Collaborative (PACT)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. PACT's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of PACT's management. Our responsibility is to express an opinion on PACT's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PACT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on PACT's compliance with those requirements.

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 each of its major federal programs for the year ended December 31, 2011.

<u>Internal Control Over Compliance</u>

Management of PACT is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PACT's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PACT's internal control over compliance.

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

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

This report is intended solely for the information and use of the Executive Board, management and others within PACT, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto *   /s/Greg Hierlinger*

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 21, 2012