

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
(A NONPROFIT ORGANIZATION)  
LITTLE FALLS, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED  
SEPTEMBER 30, 2016 AND 2015

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Tri-County Community Action Partnership, Inc.  
Little Falls, Minnesota

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

We have audited the accompanying financial statements of Tri-County Community Action Partnership, Inc. (the Organization), a Minnesota not-for-profit corporation, which comprise the statements of financial position as of September 30, 2016 and 2015 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

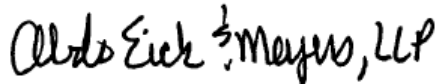
## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 January 16, 2017, on our consideration the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Organization's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP

Minneapolis, Minnesota

January 16, 2017

## FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 781,481	\$ 1,694,726
Grants and contracts receivable	392,116	297,617
Accounts receivable	47,548	27,505
Prepaid expenses	84,235	86,625
Loans receivable, net - current	-	283
Accrued receivable	84,925	72,728
TOTAL CURRENT ASSETS	1,390,305	2,179,484
PROPERTY AND EQUIPMENT, NET	589,215	890,969
TOTAL ASSETS	\$ 1,979,520	\$ 3,070,453
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable, bank	\$ 18,259	\$ 51,594
Accounts payable	213,140	91,386
Accrued expenses	308,008	435,946
TOTAL CURRENT LIABILITIES	539,407	578,926
NOTES PAYABLE, BANK	500,873	1,255,687
TOTAL LIABILITIES	1,040,280	1,834,613
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	221,509	388,776
Designated for property and equipment	66,757	66,757
Designated for revolving loan fund	465,730	483,392
Designated for employee's annual/medical accruals	185,244	296,915
TOTAL NET ASSETS	939,240	1,235,840
TOTAL LIABILITIES AND NET ASSETS	\$ 1,979,520	\$ 3,070,453

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
UNRESTRICTED PUBLIC SUPPORT AND REVENUE		
UNRESTRICTED REVENUE AND GAINS		
Government grants and contracts	\$ 6,914,745	\$ 5,997,101
Other contracts	119,527	44,911
Client loan services	18,524	16,785
Investment income	874	1,319
Other revenue	-	5,592
Contributions	500	1,100
	7,054,170	6,066,808
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUE		
EXPENSES		
Program services	6,589,228	5,764,738
Supporting services		
Management and general	761,542	553,171
	7,350,770	6,317,909
TOTAL EXPENSES		
CHANGE IN NET ASSETS	(296,600)	(251,101)
NET ASSETS, BEGINNING	1,235,840	1,486,941
NET ASSETS, ENDING	\$ 939,240	\$ 1,235,840

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016		
	Program Services	Supporting Services Management and General	Total
Salaries and benefits	\$ 3,793,633	\$ 616,105	\$ 4,409,738
Consultants	117,086	8,767	125,853
Depreciation and amortization	307,430	34,159	341,589
Occupancy	381,632	22,585	404,217
Insurance	40,651	7,596	48,247
Client food services	150,687	429	151,116
Client housing services	578,544	619	579,163
Client child care services	26,207	13,493	39,700
Client health services	25,125	1,330	26,455
Client transportation services	240,441	398	240,839
Client children services	378,323	3,185	381,508
Client loan services	66,967	29	66,996
Dues and licenses	40,991	7,850	48,841
Meetings	10,452	591	11,043
Miscellaneous	14,432	1,663	16,095
Supplies	135,898	15,980	151,878
Training	129,753	11,292	141,045
Travel	150,976	15,471	166,447
 Total expenses	 <u>\$ 6,589,228</u>	 <u>\$ 761,542</u>	 <u>\$ 7,350,770</u>

See Independent Auditor's Report and Notes to Financial Statements.



TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2015		
	Program Services	Supporting Services Management and General	Total
Salaries and benefits	\$ 3,304,837	\$ 449,399	\$ 3,754,236
Consultants	172,964	16,446	189,410
Depreciation and amortization	351,313	35,022	386,335
Occupancy	359,034	1,670	360,704
Insurance	49,119	6,761	55,880
Client food services	135,008	-	135,008
Client housing services	571,365	-	571,365
Client child care services	-	-	-
Client health services	29,825	-	29,825
Client transportation services	269,250	-	269,250
Client children services	74,066	-	74,066
Client loan services	30,728	-	30,728
Dues and licenses	34,192	5,759	39,951
Meetings	7,540	3,083	10,623
Miscellaneous	-	-	-
Supplies	131,709	17,826	149,535
Training	71,327	1,995	73,322
Travel	172,461	15,210	187,671
 Total expenses	 <u>\$ 5,764,738</u>	 <u>\$ 553,171</u>	 <u>\$ 6,317,909</u>

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (296,600)	\$ (251,101)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	341,589	386,335
Change in current assets and liabilities		
Grants and contracts receivable	(94,499)	67,254
Accounts receivable	(20,043)	36,707
Prepaid expenses	2,390	(17,639)
Loans receivable, net	283	4,521
Accrued receivables	(12,197)	(15,896)
Accounts payable	121,754	15,078
Accrued expenses	(127,938)	16,484
	<u>(85,261)</u>	<u>241,743</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(39,835)</u>	<u>(88,359)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from refinance of notes payable	522,000	-
Principal payments on notes payable, bank	<u>(1,310,149)</u>	<u>(50,685)</u>
	<u>(788,149)</u>	<u>(50,685)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>		
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(913,245)	102,699
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>1,694,726</u>	<u>1,592,027</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 781,481</u>	<u>\$ 1,694,726</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	<u>\$ 38,395</u>	<u>\$ 66,402</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS</b>		
Disposal of fully depreciated fixed assets	<u>\$ -</u>	<u>\$ 30,759</u>

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Activities**

Tri-County Community Action Partnership, Inc. (the Organization) was incorporated in September 1965. The mission of the Organization is to promote economic self-sufficiency of individuals and families experiencing poverty in Todd, Morrison and Crow Wing Counties of Minnesota. The resources provided are primarily through grants from the Federal Health and Human Services Head Start program and the Minnesota Department of Human Services.

Significant programs of the Organization include:

Weatherization and Energy Assistance Program - The Housing and Weatherization Program reduces energy costs by providing energy saving improvements installed by insured, trained contractors for eligible low-income households. Revenues for this program totaled \$655,253 and \$734,697 or approximately 9% and 10% of total support and revenue for the years ended September 30, 2016 and 2015.

Home Rehabilitation Loans Program - The Minnesota Housing and Finance Agency (MHFA) provides funding which enables local contractors and building supply centers to perform essential repairs for low-income homeowners. Revenues for this program totaled \$158,166 and \$15,000 or approximately 2% and 0% of total support and revenue for the years ended September 30, 2016 and 2015.

Head Start Program - The Head Start Program provides child development activities in a classroom setting to eligible low-income families with children from prenatal to kindergarten. The home-based program also provides child development activities in a combination of home and classroom settings. Revenues for this program totaled \$5,789,559 and \$6,015,407 or approximately 83% and 83% of total support and revenue for the years ended September 30, 2016 and 2015.

Economic Development Program - The Economic Development Program is a program to assist eligible low-income recipients in starting their own businesses and becoming self-sufficient through commitment and hard work. This program includes comprehensive business management training with an emphasis on "bottom line" decision-making, assistance in realistic evaluation of business potential, access to start-up financing, and problem solving support network.

**B. Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are those resources over which the Organization has discretionary control. Designated amounts represent revenues that the Board of Directors has set aside for a particular purpose.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or the passage of time. There were no temporarily restricted net assets as of September 30, 2016 and 2015.

Permanently Restricted Net Assets

Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets as of September 30, 2016 and 2015.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. 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 and disclosures. Actual results could differ from those estimates.

**D. Cash and Cash Equivalents**

For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

**E. Grants and Contracts Receivable**

Grants and contracts receivable are amounts outstanding under government reimbursement grants and contract agreements. No allowance for uncollectible amounts has been estimated as management expects to collect the outstanding balances.

**F. Accounts Receivable**

Accounts receivable are amounts owed to the Organization from nongovernment grantors. No allowance for uncollectible amounts has been estimated as management expects to collect the outstanding balances.

**G. Loans Receivable**

Loans receivable consist of loans made through the revolving loan program to small, start-up businesses in an effort to assist in their development. The Organization may or may not require collateral on its loans receivable. Any amounts not paid in accordance with the agreement terms are considered past due. Interest is charged at a range of two points below prime up to two points above prime and is only recognized when collected. The Organization provides an allowance for doubtful loans, which is offset against the gross amount of loan receivables. The allowance for doubtful loans is an estimate of collection losses that may be incurred in the collection of all loans based upon historical experience coupled with management's review of the current status of the existing loans. During the years ended September 30, 2016 and 2015, bad debt expense was \$0 and \$3,000, respectively.

**H. Accrued Receivable**

Accrued receivable consists of an estimate for future telephone credits for telephone expenses that occurred during the fiscal year.

**I. Property and Equipment**

Property and equipment with an initial cost of \$5,000 or more are reported on the statements of financial position and are stated at cost or fair market value at the date of acquisition or donation. Depreciation is computed using appropriate straight-line methods over estimated useful lives ranging from 5 to 30 years.

The property and equipment acquired is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the funding sources have a reversionary interest in the property and equipment purchased with grant funds; its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Public Support and Revenue**

The Organization receives substantially all of its grant and contract revenue from government reimbursement or fee for service agreements. Client auto loan services revenue is recognized when collected amounts are received.

**K. In-Kind Contributions**

The Organization receives a significant amount of donated services from unpaid volunteers who assist in programs. No amounts have been recognized because the criteria for recognition under ASC Subtopic 958-605 Not-for-Profit Entities Revenue Recognition have not been satisfied.

**L. Advertising**

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2016 and 2015 were \$14,139 and \$18,219, respectively.

**M. Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

**N. Income Taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Under FASB ASC 740-10-50 the Organization estimates that it has no tax liability for uncertain tax positions and that this estimate will not change significantly during 2016. The Organization recognizes potential accrued interest and penalties pertaining to income tax related issues, if any, as an income tax expense. During 2016 and 2015, no penalties and interest were recorded. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed.

**O. Concentration of Credit Risk**

The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

**P. Subsequent Events**

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through January 16, 2017, the date the financial statements were available to be issued.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

**Note 2: LOANS RECEIVABLE**

At September 30, 2016 and 2015 loans receivable is comprised of the following:

	2016	2015
Small business loans, current and noncurrent	\$ -	\$ 283
Less: allowance for doubtful loans	-	-
Total	\$ -	\$ 283
Loans receivable, net - current portion	\$ -	\$ 283
Loans receivable, net - noncurrent portion	-	-
Total	\$ -	\$ 283

**Note 3: PROPERTY AND EQUIPMENT**

The Organization's property and equipment at September 30, 2016 and 2015 is comprised of the following:

	2016	2015
Land	\$ 112,310	\$ 112,310
Buildings	3,280,482	3,280,482
Furniture and equipment	2,490,267	2,450,432
Less: accumulated depreciation	(5,293,844)	(4,952,255)
Total	\$ 589,215	\$ 890,969

Depreciation and amortization expense for the years ended September 30, 2016 and 2015 was \$341,589 and \$386,335, respectively.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

**Note 4: ACCRUED EXPENSES**

The Organization's accrued expenses at September 30, 2016 and 2015 is comprised of the following:

	<u>2016</u>	<u>2015</u>
Accrued absences	\$ 185,244	\$ 219,764
Accrued payroll	92,983	196,486
Other accrued expenses	<u>29,781</u>	<u>19,696</u>
Total	<u>\$ 308,008</u>	<u>\$ 435,946</u>

**Note 5: NOTES PAYABLE, BANK**

On June 30, 2016, the Organization refinanced their note payable from Bank of the West with Bremer Bank in the amount of \$522,000. The Organization's notes payable, bank at September 30, 2016 and 2015 is comprised of the following:

	<u>2016</u>	<u>2015</u>
4.99% fixed interest notes payable to Bank of the West. Secured by Little Falls and Brainerd building and land, maturing May 1, 2032. Note requires monthly payments of \$9,775 including principal and interest and compliance with a certain compliance ratio.	\$ -	\$ 1,307,281
3.56% fixed interest notes payable to Bremer Bank. Secured by Brainerd building and land, maturing July 1, 2021. Note requires monthly payments of \$3,058 including principal and interest.	519,132	-
Less current portion	<u>(18,259)</u>	<u>(51,594)</u>
Total long-term notes payable, bank	<u>\$ 500,873</u>	<u>\$ 1,255,687</u>

Approximate maturities of notes payable, bank are as follows:

<u>For the Year Ended September 30</u>	
2017	\$ 18,259
2018	18,929
2019	19,623
2020	20,298
2021	<u>442,023</u>
Total	<u>\$ 519,132</u>

Interest expense for the years ended September 30, 2016 and 2015 was \$38,395 and \$66,402, respectively.

**Note 6: RETIREMENT PLAN**

The Organization sponsors a 403(b) retirement plan. The plan covers substantially all full-time employees. Under the plan, the Organization contributes up to 5 percent of each eligible employee's salary. Contributions to the plan for the years ended September 30, 2016 and 2015 were \$109,829 and \$84,677, respectively.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

**Note 7: OPERATING LEASES**

The Organization leases office space and equipment under twelve operating leases with expiration dates ranging from 2016 through 2020. Rent expense for facility leases was \$113,944 and \$100,379 for the years ended September 30, 2016 and 2015, respectively. Rent expense for office equipment was approximately \$41,200 and \$48,800 for the years ended September 30, 2016 and 2015, respectively.

Approximate future minimum payments under these agreements are as follows:

For the Year Ended <u>September 30</u>		
2017	\$	159,334
2018		123,809
2019		61,284
2020		<u>41,507</u>
Total	\$	<u><u>385,934</u></u>

**Note 8: LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENTS**

Non-management employees of the Organization are members of Local Union #3628 American Federation of State, County and Municipal Employees, AFL-CIO ("Union"). The Organization entered into a new labor agreement with the Union for the period January 1, 2016 to December 31, 2017. The Organization had a labor agreement with the Union for the period January 1, 2015 to December 31, 2015 as well.



## OTHER REPORTS



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

Board of Directors  
Tri-County Community Action Partnership, Inc.  
Little Falls, Minnesota

We have audited, in accordance with the 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 Tri-County Community Action Partnership, Inc. (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2017.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

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

## Purpose of this Report

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

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
January 16, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Tri-County Community Action Partnership, Inc.  
Little Falls, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Tri-County Community Action Partnership, Inc.'s (the Organization), a Minnesota not-for-profit corporation compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2016. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Unmodified Opinion on Compliance for the Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2016.

## 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 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

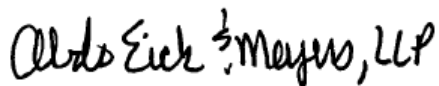
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 2016-001 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the 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.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
January 16, 2017

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/Program Title Pass-through Grantor	Federal Domestic Assistance Number	Identifying Number	Direct Federal Expenditures	Pass- Through Federal Expenditures	Federal Expenditures
<b><i>U.S. Department of Health and Human Services</i></b>					
<b>Head Start</b>					
Department of Health and Human Services	93.600	05CH99570101	\$ 2,822,670	\$ -	\$ 2,822,670
Department of Health and Human Services	93.600	05CH99570201	1,159,058	-	1,159,058
Department of Health and Human Services	93.600	05HP001701	593,163	-	593,163
Department of Health and Human Services	93.600	05HP001702	110,271	-	110,271
Total Head Start			<u>4,685,162</u>	<u>-</u>	<u>4,685,162</u>
<b>Low-Income Home Energy Assistance</b>					
Minnesota Department of Human Services	93.568	A2106	-	173,335	173,335
Minnesota Department of Human Services	93.568	A2107	-	71,482	71,482
Total Low-Income Home Energy Assistance			<u>-</u>	<u>244,817</u>	<u>244,817</u>
<b>Community Services Block Grant</b>					
Minnesota Department of Human Services	93.569	GRK%65016	-	76,534	76,534
Minnesota Department of Human Services	93.569	GRK%94816	-	153,775	153,775
Minnesota Department of Human Services	93.569	GRK%98159	-	1,000	1,000
Total Community Services Block Grant			<u>-</u>	<u>231,309</u>	<u>231,309</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>4,685,162</u>	<u>476,126</u>	<u>5,161,288</u>
<b><i>U.S. Department of Energy</i></b>					
<b>Weatherization Assistance for Low-Income Persons</b>					
Minnesota Department of Commerce	81.042	A2500	-	245,854	245,854
<b>Total U.S. Department of Energy</b>			<u>-</u>	<u>245,854</u>	<u>245,854</u>
<b><i>U.S. Department of Agriculture</i></b>					
<b>Child and Adult Care Food Program</b>					
Minnesota Department of Human Services	10.558	1000003687	-	150,293	150,293
<b>Supplemental Nutrition Assistance Program, Outreach/Participation Program</b>					
Minnesota Department of Human Services	10.580	H5532384	-	26,250	26,250
<b>Total U.S. Department of Agriculture</b>			<u>-</u>	<u>176,543</u>	<u>176,543</u>
<b>Total Federal Expenditures</b>			<u>\$ 4,685,162</u>	<u>\$ 898,523</u>	<u>\$ 5,583,685</u>

Footnote A: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Footnote B: HEAD START CFDA 93.600  
Federal match in-kind services and materials of \$1,156,189 are excluded from CFDA 93.600 for purposes of this schedule.

Footnote C: RECONCILIATION TO STATEMENT OF ACTIVITIES

Total revenues of Federal awards	\$ 5,583,685
Total revenues of State awards	1,331,060
Total government grants and contracts revenue	<u>\$ 6,914,745</u>

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2016

**Note 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, and *Audits of States, Local Governments, and Non Profit Organizations*. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR EXPENDITURES**

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

**Note 3: PASS-THROUGH ENTITY IDENTIFYING NUMBERS**

Pass-through identifying numbers are presented where available.

**Note 4: SUBRECIPIENTS**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: INDIRECT COST RATE**

During the year ended September 30, 2016, the Organization did not elect to use the 10% de minimis indirect cost rate.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?	Yes

Identification of Major Programs/Projects:

Head Start	<b>CFDA</b>
	93.600
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee pursuant to Uniform Guidance	Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**SECTION III - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Significant Deficiency

2016-001 Physical Inspection of Equipment

Criteria:

A physical inventory of property [equipment] must be taken and the results reconciled with the property records at least once every two years [2 CFR 200.313(d)(2)].

Condition:

Physical inspection of equipment was not performed in the past two years.

Effect:

Not in compliance with Uniform Guidance and equipment related to the federal program could be misappropriated or out of service.

Cause:

Due to the number of staff and current time requirements of their responsibilities, adequate time to perform the physical inventory was not available, thus the inventory was not taken.

Recommendation:

In accordance with TCCAP's Fiscal Policies and Procedures Manual and Uniform Guidance, TCCAP is to perform a physical inventory of property and equipment, and reconcile with the related records, at least every two years. We recommend that TCC perform a physical observation of the equipment as soon as possible and agree to the current equipment listing, and then develop a plan of action to insure physical observations occur at least every 2 years.

Views of responsible officials and planned corrective actions:

TCCAP will conduct a physical inventory observation of all sites in its service area within the next two months. A report will then be compiled by the Fiscal Director along with the Executive Director and submitted to the Grantors associated with TCCAP no later than March 31, 2017.

**OTHER ISSUES**

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal award programs.





## CORRECTIVE ACTION PLAN

January 13, 2017

U.S. Department of Health and Human Services

Tri-County Community Action Partnership, Inc. respectfully submits the following corrective action plan for the year ended September 30, 2016.

Name and address of independent public accounting firm:

Abdo, Eick & Meyers, LLP

5201 Eden Ave, Suite 250

Edina, MN 55436

Audit period: October 1, 2015 – September 30, 2016

The findings from the September 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

#### SIGNIFICANT DEFICIENCY AND SIGNIFICANT NONCOMPLIANCE

#### DEPARTMENT OF HEALTH AND HUMAN SERVICES

#### CFDA 93.600 Head Start

#### 2016-001 – Inventory Inspection

##### Recommendation:

In accordance with TCCAP's Fiscal Policies and Procedures Manual and Uniform Guidance, TCCAP is to perform a physical inventory of property and equipment, and reconcile with the related records, at least every two years. We recommend that TCCAP perform a physical observation of the equipment as soon as possible and agree to the current equipment listing, and then develop a plan of action to insure physical observations occur at least every 2 years.

##### Planned Action

TCCAP will conduct a physical inventory observation of all sites in its service area within the next two months. A report will then be compiled by the Fiscal Director along with the Executive Director and submitted to the Grantors associated with TCCAP no later than March 31, 2017.

TCCAP's Accounting Specialists will do a physical observation of each site in the three-county area and compare the inventory on file to the inventory on site. A report will be written and given to the Fiscal Director to make any additions or dispositions as needed to the general ledger. The Fiscal Director will compile a report of the findings and give the report to the Executive Director for approval. The report will be sent to all Grantors no later than March 31, 2017.

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Rita Zilka, Fiscal Director at 320-632-3691 Ex. 9068.

Sincerely yours,



Douglas J. Jacobson, MBA, MSW  
Executive Director  
Tri-County Community Action Partnership



Rita Zilka, BS  
Fiscal Director  
Tri-County Community Action Partnership