

# Financial Statements

## Tri-County Community Action Partnership, Inc. (a Nonprofit Organization)

Little Falls, Minnesota

For the Years Ended  
September 30, 2017 and 2016

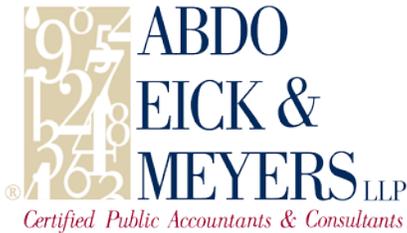
TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.  
(A NONPROFIT ORGANIZATION)  
LITTLE FALLS, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED  
SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016 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, 2017 and 2016 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.

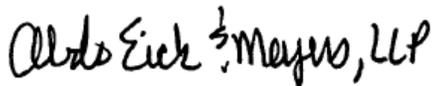
## Other Matters

### *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 December 21, 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  
December 21, 2017

## FINANCIAL STATEMENTS

Tri-County Community Action Partnership, Inc.

Statements of Financial Position

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 779,442	\$ 781,481
Grants and contracts receivable	411,200	392,116
Accounts receivable	70,582	47,548
Prepaid expenses	82,330	84,235
Accrued receivable	<u>57,940</u>	<u>84,925</u>
Total Current Assets	<u>1,401,494</u>	<u>1,390,305</u>
Property and Equipment, Net	<u>535,979</u>	<u>589,215</u>
Total Assets	<u><u>\$ 1,937,473</u></u>	<u><u>\$ 1,979,520</u></u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of notes payable, bank	\$ 18,929	\$ 18,259
Accounts payable	214,392	213,140
Accrued expenses	<u>333,251</u>	<u>308,008</u>
Total Current Liabilities	<u>566,572</u>	<u>539,407</u>
Notes Payable, Bank	<u>481,944</u>	<u>500,873</u>
Total Liabilities	<u><u>1,048,516</u></u>	<u><u>1,040,280</u></u>
Net Assets		
Unrestricted:		
Undesignated	121,087	221,509
Designated for property and equipment	64,257	66,757
Designated for revolving loan fund	465,195	465,730
Designated for employee's annual/medical accruals	<u>238,418</u>	<u>185,244</u>
Total Net Assets	<u>888,957</u>	<u>939,240</u>
Total Liabilities and Net Assets	<u><u>\$ 1,937,473</u></u>	<u><u>\$ 1,979,520</u></u>

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, 2017 and 2016

	2017	2016
Unrestricted Public Support and Revenue		
Unrestricted Revenue and Gains		
Government grants and contracts	\$ 7,701,248	\$ 6,914,745
Other contracts	196,316	119,527
Client loan services	15,653	18,524
Investment income	1,182	874
Other revenue	1,806	-
Gain (loss) on disposal of assets	(82,815)	-
Contributions	-	500
Total Unrestricted Public Support and Revenue	7,833,390	7,054,170
Expenses		
Program services	6,982,625	6,589,228
Supporting services		
Management and general	901,048	761,542
Total Expenses	7,883,673	7,350,770
Change In Net Assets	(50,283)	(296,600)
Net Assets, Beginning	939,240	1,235,840
Net Assets, Ending	\$ 888,957	\$ 939,240

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, 2017 and 2016

	2017		
	Program Services	Supporting Services Management and General	Total
Salaries and benefits	\$ 3,945,060	\$ 794,683	\$ 4,739,743
Consultants	206,898	14,993	221,891
Depreciation and amortization	206,733	18,097	224,830
Occupancy	505,978	19,874	525,852
Insurance	40,856	1,878	42,734
Client food services	152,530	76	152,606
Client housing services	779,296	4,138	783,434
Client child care services	278,259	13,204	291,463
Client health services	23,236	1,268	24,504
Client transportation services	243,863	871	244,734
Client children services	99,187	1,055	100,242
Client loan services	12,528	-	12,528
Dues and licenses	36,525	2,573	39,098
Meetings	1,641	147	1,788
Miscellaneous	-	-	-
Supplies	166,350	16,549	182,899
Training	143,475	7,273	150,748
Travel	140,210	4,369	144,579
	<u>\$ 6,982,625</u>	<u>\$ 901,048</u>	<u>\$ 7,883,673</u>
Total expenses	<u>\$ 6,982,625</u>	<u>\$ 901,048</u>	<u>\$ 7,883,673</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, 2017 and 2016

	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
	<u>\$ 6,589,228</u>	<u>\$ 761,542</u>	<u>\$ 7,350,770</u>
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 Cash Flows  
 For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (50,283)	\$ (296,600)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	224,830	341,589
Loss on disposal of property and equipment	82,815	-
Change in current assets and liabilities		
Grants and contracts receivable	(19,084)	(94,499)
Accounts receivable	(23,034)	(20,043)
Prepaid expenses	1,905	2,390
Loans receivable, net	-	283
Accrued receivables	26,985	(12,197)
Accounts payable	1,252	121,754
Accrued expenses	25,243	(127,938)
Net Cash Provided (Used) By Operating Activities	270,629	(85,261)
 Cash Flows From Investing Activities		
Purchase of property and equipment	(254,409)	(39,835)
 Cash Flows From Financing Activities		
Proceeds from refinance of notes payable	-	522,000
Principal payments on notes payable, bank	(18,259)	(1,310,149)
Net Cash Used By Financing Activities	(18,259)	(788,149)
 Decrease In Cash and Cash Equivalents	(2,039)	(913,245)
 Cash and Cash Equivalents, Beginning	781,481	1,694,726
 Cash and Cash Equivalents, Ending	\$ 779,442	\$ 781,481
 Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 18,382	\$ 38,395
Income taxes	\$ -	\$ -
 Supplemental Disclosure of Non-Cash Transactions		
Disposal of fully depreciated fixed assets	\$ 686,284	\$ -

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

Tri-County Community Action Partnership, Inc.  
Notes to the Financial Statements  
September 30, 2017 and 2016

## **Note 1: Summary Of Significant Accounting Policies**

### **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 \$1,082,195 and \$655,253 or approximately 11% and 9% of total support and revenue for the years ended September 30, 2017 and 2016.

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 \$201,086 and \$158,166 or approximately 2% and 2% of total support and revenue for the years ended September 30, 2017 and 2016.

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 \$8,305,663 and \$5,789,559 or approximately 84% and 83% of total support and revenue for the years ended September 30, 2017 and 2016.

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.

### **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, 2017 and 2016.

#### **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, 2017 and 2016.

Tri-County Community Action Partnership, Inc.  
Notes to the Financial Statements  
September 30, 2017 and 2016

## **Note 1: Summary Of Significant Accounting Policies (Continued)**

### **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.

### **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.

### **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.

### **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.

### **Accrued Receivable**

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

### **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.

### **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.

### **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.

### **Advertising**

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2017 and 2016 were \$2,124 and \$14,139, respectively.

Tri-County Community Action Partnership, Inc.  
Notes to the Financial Statements  
September 30, 2017 and 2016

**Note 1: Summary Of Significant Accounting Policies (Continued)**

**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.

**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 2017 and 2016, 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.

**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.

**Subsequent Events**

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through December 31, 2017, the date the financial statements were available to be issued.

**Note 2: Property And Equipment**

The Organization's property and equipment at September 30, 2017 and 2016 is comprised of the following:

	2017	2016
Land	\$ 112,310	\$ 112,310
Buildings	3,280,482	3,280,482
Furniture and equipment	1,849,539	2,490,267
Less: accumulated depreciation	(4,706,352)	(5,293,844)
Total	\$ 535,979	\$ 589,215

Depreciation and amortization expense for the years ended September 30, 2017 and 2016 was \$224,830 and \$341,589, respectively.

Tri-County Community Action Partnership, Inc.  
Notes to the Financial Statements  
September 30, 2017 and 2016

**Note 3: Accrued Expenses**

The Organization's accrued expenses at September 30, 2017 and 2016 is comprised of the following:

	2017	2016
Accrued absences	\$ 238,418	\$ 185,244
Accrued payroll	29,613	92,983
Other accrued expenses	65,220	29,781
 Total	 \$ 333,251	 \$ 308,008

**Note 4: 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, 2017 and 2016 were \$109,507 and \$109,829, respectively.

**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, 2017 and 2016 is comprised of the following:

	2017	2016
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.	\$ 500,873	\$ 519,132
Less current portion	(18,929)	(18,259)
Total long-term notes payable, bank	\$ 481,944	\$ 500,873

Approximate maturities of notes payable, bank are as follows:

<u>For the Year Ended September 30</u>	
2018	\$ 18,929
2019	19,623
2020	20,298
2021	442,023
Total	\$ 500,873

Interest expense for the years ended September 30, 2017 and 2016 was \$18,382 and \$38,395, respectively.

Tri-County Community Action Partnership, Inc.  
Notes to the Financial Statements  
September 30, 2017 AND 2016

**Note 6: 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 \$140,783 and \$113,944 for the years ended September 30, 2017 and 2016, respectively. Rent expense for office equipment was approximately \$42,453 and \$41,200 for the years ended September 30, 2017 and 2016, respectively.

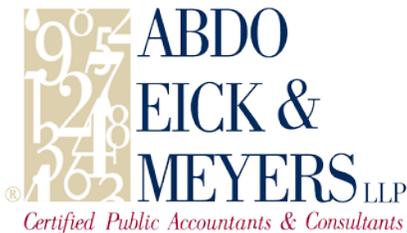
Approximate future minimum payments under these agreements are as follows:

For the Year Ended <u>September 30</u>	
2018	\$ 197,371
2019	95,575
2020	78,876
2021	<u>33,144</u>
Total	<u><u>\$ 404,966</u></u>

**Note 7: 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, 2017, 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 December 21, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2017-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

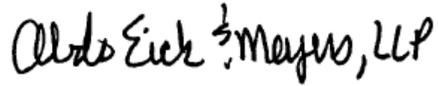
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

## Organization's Response to Findings

The Organization's response to the 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 the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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  
Minneapolis, Minnesota  
December 21, 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, 2017. 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for 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 Each 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 each of its major federal program the year ended September 30, 2017.

## 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 2017-002. 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.

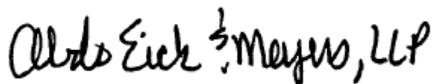
## Report on Internal Control Over Compliance

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.

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

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  
December 21, 2017

Tri-County Community Action Partnership, Inc.  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017

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>					
Head Start					
Department of Health and Human Services	93.600	05CH9957-002-01	\$ 3,148,645	\$ -	\$ 3,148,645
Department of Health and Human Services	93.600	05CH9957-003-01	1,275,893	-	1,275,893
Department of Health and Human Services	93.600	05HP0017-02-00	678,822	-	678,822
Department of Health and Human Services	93.600	05HP0017-03-00	108,638	-	108,638
Total Head Start			<u>5,211,998</u>	<u>-</u>	<u>5,211,998</u>
Low-Income Home Energy Assistance					
Minnesota Department of Human Services	93.568	A2107	-	346,103	346,103
Minnesota Department of Human Services	93.568	A2108	-	17,268	17,268
Total Low-Income Home Energy Assistance			<u>-</u>	<u>363,371</u>	<u>363,371</u>
Community Services Block Grant					
Minnesota Department of Human Services	93.569	GRK%94816	-	41,209	41,209
Minnesota Department of Human Services	93.569	GRK%94816	-	184,205	184,205
Total Community Services Block Grant			<u>-</u>	<u>225,414</u>	<u>225,414</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>5,211,998</u>	<u>588,785</u>	<u>5,800,783</u>
<b><i>U.S. Department of Energy</i></b>					
Weatherization Assistance for Low-Income Persons					
Minnesota Department of Commerce	81.042	A2500	-	230,054	230,054
Minnesota Department of Commerce	81.042	A2500	-	53,240	53,240
Total Weatherization Assistance for Low-Income Persons			<u>-</u>	<u>283,294</u>	<u>283,294</u>
<i>Total U.S. Department of Energy</i>			<u>-</u>	<u>283,294</u>	<u>283,294</u>
<b><i>U.S. Department of Agriculture</i></b>					
Child and Adult Care Food Program					
Minnesota Department of Human Services	10.558	1000003687	-	142,057	142,057
Supplemental Nutrition Assistance Program, Outreach/Participation Program					
Minnesota Department of Human Services	10.580	H5532384	-	26,250	26,250
<i>Total U.S. Department of Agriculture</i>			<u>-</u>	<u>168,307</u>	<u>168,307</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 5,211,998</u></u>	<u><u>\$ 1,040,386</u></u>	<u><u>\$ 6,252,384</u></u>

Tri-County Community Action Partnership, Inc.  
Notes to the Schedule Of  
Expenditures Of Federal Awards

**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, 2017. 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, 2017, the Organization did not elect to use the 10% de minimis indirect cost rate.

**Note 6: In-Kind**

Federal match in-kind services and materials of \$1,156,189 are excluded from Head Start CFDA 93.600 for purposes of this schedule.

**Note 7: Reconciliation to the Statement of Activities**

Total revenues of Federal awards	\$ 6,252,384
Total revenues of State awards	<u>1,448,864</u>
Total government grants and contracts revenue	<u>\$ 7,701,248</u>

Tri-County Community Action Partnership, Inc.  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2017

**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?	Yes
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?	None reported
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**

Significant Deficiency:

2017-001 Material Audit Adjustments

Condition:

During our audit, material adjustments were needed to adjust accounts to correct balances at year end. Significant accounts affected include accumulated depreciation and related expense accounts.

Criteria:

Management should have procedures in place to identify misstatements in the financial statements.

Cause:

As a result of the processes and procedures in place, disposition and related depreciation calculations were mistyped from one location to another and were not caught during review.

Effect:

Assets and net assets were materially misstated. The audit firm noted the misstatements and presented adjusting journal entries to correct the misstatements during the audit.

Recommendation:

We recommend the Organization review and update its month-end and year-end processes to ensure all accounts are current at year end.

Views of responsible officials and planned corrective actions:

Going forward, the Organization will ensure to review significant accounts to verify that they properly agree to supporting schedules.

Tri-County Community Action Partnership, Inc.  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2017

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

Noncompliance

2017-002 Head Start Enrollment - U.S. Department of Health and Human Services: Head Start CFDA 93.600

Condition:

During our audit, we noted that the enrollment numbers for the grant period did not meet or exceed 97% of the numbers specified by the grant agreement. The reported enrollment by month for the period of October 1, 2016 to September 30, 2017 was below the requirement for 5 of those months and total enrollment for the period was 95.9%.

Criteria:

The Organization is responsible to ensure that enrollment in the Head Start and Early Head Start programs meets or exceeds the 97% required funded enrollment specified in the grant agreement with the Department of Health and Human Services.

Cause:

The Organization is looking into the cause of the decrease in enrollment to determine whether the population of children has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

Effect:

The Organization is being over-funded by the federal department based on their current enrollment.

Recommendation:

In accordance with the Organization's currently planned corrective action, we recommend that the Organization look into the cause of the decrease in enrollment to determine whether the population of children in the surrounding area has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

Views of responsible officials and planned corrective actions:

TCCAP is looking into the cause of the decrease in enrollment to determine whether the population of children has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

## CORRECTIVE ACTION PLAN

December 22, 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, 2017.

Name and address of independent public accounting firm:

Abdo, Eick & Meyers, LLP

5201 Eden Ave, Suite 250

Edina, MN 55436

Audit period: October 1, 2016 – September 30, 2017

The findings from the September 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS-FINANCIAL STATEMENT AUDIT

#### SIGNIFICANT DEFICIENCY

2017-001 – Material Audit Adjustments

##### Recommendation:

We recommend the Center review and update its month-end and year-end processes to ensure all accounts are current at year end.

##### Planned Action

TCCAP fiscal staff will add a written description of the month-end and year-end closing processes to the TCCAP Accounting Procedures Manual. These written procedures can be converted to a checklist for use when conducting month-end and year-end closing processes. When composing this description, the Fiscal Director will review these closing processes for effectiveness and completeness.

### FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

#### NONCOMPLIANCE

DEPARTMENT OF HEALTH AND HUMAN SERVICES: CFDA 93.600 Head Start

2017-002 –Head Start Enrollment

##### Recommendation:

In accordance with the Organization's currently planned corrective action, we recommend that the Organization look into the cause of the decrease in enrollment to determine whether the population of children in the surrounding area has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

##### Planned Action

TCCAP began a comprehensive process of addressing the under-enrollment issue when Executive Director Doug Jacobson assumed the Head Start: Prenatal to Five Director role, in addition to his Executive Director role, on March 2, 2017. The issue of under-enrollment was addressed at the Head Start Program Services Leadership Team meeting on March 2<sup>nd</sup> and monthly thereafter with weekly monitoring reports. (The former HS: P-5 Director had been addressing the issue but not with the intensity of focus that was brought to the challenge beginning in March.)

In April, the Head Start: Prenatal to Five Program Services Leadership Team undertook numerous tasks to thoroughly address the issue of under-enrollment. These included: 1) Conducted a complex review of the factors resulting in under-enrollment: 2) Confirmed that the Community Needs Assessment indicated a sufficient size population of children in economic poverty to recruit from: 3) Reviewed the current enrollment/recruitment plan for thoroughness: and, 4) Developed a plan of action, which was approved by the PC and BOD in April 2017 and presented to OHS Region V staff in May. The multi-faceted plan of action was implemented in late April.

The Head Start program was already in the “close-down for summer” phase in April thus new enrollments were not required. The PC, BOD and Region V Specialists have received monthly updates specific to enrollment since April.

By July 2017, TCCAP was at full enrollment in EHS. The program maintained that goal through September, which is the end of the audit period under review, when children transitioned to Head Start.

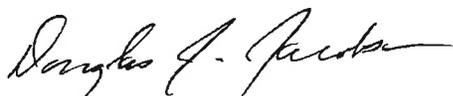
The Head Start program was closed during the summer. By September 30<sup>th</sup>, Head Start enrollment was at 98%. The Head Start program enrollment level increased to 100% enrolled in October and is maintaining that level.

The only program that has not attained full enrollment is the EHS – Child Care Partnership program. This EHS-CCP program has been struggling since the initiation of this grant due to having 1 of the 4 partners dropping out of the grant shortly before Year 1 startup. That partner’s allotted enrollment opportunities were mostly transferred to TCCAP, which was never planning to serve the current number of EHS-CCP enrollment opportunities. TCCAP has been unable to fill these extra numbers. TCCAP leadership has discussed this challenge with Region V personnel on a number of occasions and a reduction or conversion to EHS of enrollment opportunities under this EHS-CCP grant is currently being considered. (TCCAP has never drawn down all the EHS-CCP grant funds because it recognizes that it would be unethical in that TCCAP has never served all the funded enrollment.)

The under-enrollment non-compliance continues to be monitored and addressed weekly. The Policy Council and Board of Directors receive monthly status reports. The new Head Start: Prenatal to Five Director (Penny Paul) and TCCAP’s Executive Director Doug Jacobson discuss the topic at least weekly and will continue to work with Region V on a long-term solution to the EHS-CCP under-enrollment issue.

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Doug Jacobson at 218-829-2410 ext. 0584.

Sincerely yours,



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

Tri-County Community Action Partnership, Inc.  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2017

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**FINDING 2016-001: HEAD START CFDA 93.600**

Condition:

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

Recommendation:

The auditor recommended that the Organization perform a physical observation of the equipment prior to the end of the 2017 fiscal year, agree the observation results to the current equipment listing, and then develop a plan of action to insure physical observations occur at least once every 2 years.

Current Status:

The recommendation was adopted during the 2017 fiscal year, and no similar findings were noted during the 2017 fiscal year audit.