

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



**DISTRICT IV HUMAN RESOURCES
DEVELOPMENT COUNCIL**

FINANCIAL REPORT

June 30, 2016 and 2015



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INDEPENDENT AUDITORS' REPORT

Board of Directors
District IV Human Resources Development Council
Havre, Montana

We have audited the accompanying financial statements of District IV Human Resources Development Council (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses 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 audits. We conducted our audits 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 audits 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 District IV Human Resources Development Council as of June 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

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* 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 November 8, 2016, on our consideration of District IV Human Resources Development Council'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 District IV Human Resources Development Council's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co. P.C.

Havre, Montana
November 8, 2016

FINANCIAL STATEMENTS

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 326,863	\$ 222,154
Grants receivable	231,455	210,410
Accounts receivable	45,743	41,415
Notes receivable	521,500	521,500
Interest receivable	20,574	15,574
Land, buildings, and equipment, net	543,449	551,698
Other assets	<u>2,180</u>	<u>740</u>
Total assets	<u>1,691,764</u>	<u>1,563,491</u>
Total assets	<u>\$ 1,691,764</u>	<u>\$ 1,563,491</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 236,834	\$ 152,123
Deferred revenue	4,285	5,000
Accrued vacation and sick leave	71,903	77,633
Notes payable	<u>684,959</u>	<u>729,057</u>
Total liabilities	<u>997,981</u>	<u>963,813</u>
Total liabilities	<u>997,981</u>	<u>963,813</u>
 <u>NET ASSETS</u>		
Unrestricted	<u>693,783</u>	<u>599,678</u>
Total net assets	<u>693,783</u>	<u>599,678</u>
Total liabilities and net assets	<u>\$ 1,691,764</u>	<u>\$ 1,563,491</u>

Notes to Financial Statements are an integral part of these statements.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Grants awarded	\$ 2,933,862	\$ 2,896,661
Contributions	45,933	47,941
Fees	156,011	155,744
Investment income	185	5,189
Other income	<u>814,231</u>	<u>400,145</u>
Total revenues, gains, and other support	<u>3,950,222</u>	<u>3,505,680</u>
EXPENSES		
Program		
Head Start	1,554,822	1,559,504
Community Services Block Grant	119,051	128,569
Food Bank	35,810	34,721
Skills Training	11,165	6,736
WIA Adult	53,298	59,507
Work Readiness	178,364	176,556
Summer Youth Training	40,803	36,187
WIA Youth	73,653	84,903
Child Care Block Grant	112,741	132,329
Continuum of Care	66,902	30,626
NWE Weatherization	101,487	95,809
Weatherization	261,719	195,878
Domestic Violence	180,371	166,688
Low Income Energy Assistance	196,290	188,148
Emergency Homeless and Shelter	31,658	25,406
Section 8 and Buildings	451,189	249,946
Management and general	<u>386,794</u>	<u>381,103</u>
Total expenses	3,856,117	3,552,616
Loss on disposal of assets	<u>-</u>	<u>24,800</u>
Total expenses and losses	<u>3,856,117</u>	<u>3,577,416</u>
Change in net assets	94,105	(71,736)
Net assets at beginning of year	<u>599,678</u>	<u>671,414</u>
Net assets at end of year	<u>\$ 693,783</u>	<u>\$ 599,678</u>

Notes to Financial Statements are an integral part of these statements.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 2,912,102	\$ 2,942,179
Cash received from contributions	45,933	47,941
Cash received from fees and other sources	964,474	558,197
Cash paid to suppliers and employees	(3,662,000)	(3,524,029)
Interest income	(4,815)	189
Interest expenses	<u>(44,682)</u>	<u>(49,192)</u>
Net cash flows from operating activities	<u>211,012</u>	<u>(24,715)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(62,205)	(16,094)
Cash received from sale of property	<u>-</u>	<u>20,000</u>
Net cash from investing activities	<u>(62,205)</u>	<u>3,906</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes	<u>(44,098)</u>	<u>(58,639)</u>
Net cash flows from financing activities	<u>(44,098)</u>	<u>(58,639)</u>
Net change in cash and cash equivalents	104,709	(79,448)
Cash and cash equivalents, beginning of year	<u>222,154</u>	<u>301,602</u>
Cash and cash equivalents, end of year	<u>\$ 326,863</u>	<u>\$ 222,154</u>
Change in net assets	\$ 94,105	\$ (71,736)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	70,454	97,616
Loss on disposal of assets	-	24,800
Changes in operating assets and liabilities		
Grants receivable	(21,045)	45,614
Accounts receivable	(4,328)	2,473
Interest receivable	(5,000)	(5,000)
Other assets	(1,440)	(165)
Accounts payable	84,711	(115,292)
Deferred revenue	(715)	(96)
Accrued vacation and sick leave	<u>(5,730)</u>	<u>(2,929)</u>
Net cash flows from operating activities	<u>\$ 211,012</u>	<u>\$ (24,715)</u>

Notes to Financial Statements are an integral part of these statements.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Head Start	Community Services Block Grant	Food Bank	Skills Training	WIA Adult	WoRC	Summer Youth	WIA Youth	Child Care Block Grant	Continuum of Care	NWE Weatherization	Weatherization	Domestic Violence	Low Income Energy Assistance	Emergency Homeless and Shelter	Section 8	Management and General	Totals
Salaries	\$ 884,913	\$ 81,370	\$ 12,902	\$ 1,493	\$ 34,267	\$ 100,451	\$ 34,714	\$ 55,101	\$ 67,058	\$ 6,106	\$ 7,733	\$ 63,978	\$ 93,874	\$ 50,190	\$ 12,514	\$ 95,094	\$ 216,971	\$ 1,818,729
Payroll taxes	109,769	6,518	1,685	116	3,999	12,103	3,699	6,199	8,393	705	1,128	7,852	11,905	6,164	1,571	11,656	23,847	217,309
Employee benefits	76,429	4,092	15	12	2,743	15,145	1,340	2,227	1,454	233	-	952	1,927	4,089	305	5,333	26,639	142,935
Contracted services	53,516	733	2,085	960	1,997	5,839	85	1,054	5,710	29,119	41,695	73,233	6,040	-	30	207,317	16,276	445,689
Travel	34,515	6,350	1,143	8	811	19,100	130	1,505	4,613	1,273	14,083	12,610	6,089	851	-	5,439	1,761	110,281
Other costs	7,846	4,209	937	-	-	204	-	-	428	4,936	291	981	1,565	8,058	500	21,153	10,183	61,291
Rent and space	17,508	2,654	-	975	2,520	9,629	344	3,277	7,432	-	-	3,675	12,420	2,700	11,809	(60,093)	10,096	24,946
Supplies	76,102	2,526	4,147	475	1,934	7,042	92	2,014	14,114	217	(8)	11,726	15,484	6,559	505	19,406	8,862	171,197
Telephone and utilities	42,062	622	8,136	-	183	4,668	9	90	268	2,059	-	297	3,437	112	3,823	55,478	1,705	122,949
Training	-	800	-	-	734	34	-	300	-	-	-	-	4,527	-	-	-	-	6,395
Support services	36,350	8,408	591	7,101	2,801	-	390	1,185	634	3,017	25	49,971	17,223	115,484	-	12,421	-	255,601
Insurance	28,895	261	1,091	-	1,220	4,064	-	701	2,109	4,687	1,474	99	4,399	1,308	406	5,699	-	56,413
Transportation	18,332	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,332
Meals	132,058	-	1,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133,384
Maintenance and repairs	36,513	-	1,510	-	-	-	-	-	-	13,577	347	-	810	-	195	25,727	-	78,679
Legal and accounting	14	508	242	25	89	85	-	-	528	282	9	-	671	775	-	2,304	-	5,532
Materials	-	-	-	-	-	-	-	-	-	-	34,710	36,345	-	-	-	264	-	71,319
Interest	-	-	-	-	-	-	-	-	-	691	-	-	-	-	-	43,991	-	44,682
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,454	70,454
Totals	\$ 1,554,822	\$ 119,051	\$ 35,810	\$ 11,165	\$ 53,298	\$ 178,364	\$ 40,803	\$ 73,653	\$ 112,741	\$ 66,902	\$ 101,487	\$ 261,719	\$ 180,371	\$ 196,290	\$ 31,658	\$ 451,189	\$ 386,794	\$ 3,856,117

Notes to Financial Statements are an integral part of this statement.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Head Start	Community Services Block Grant	Food Bank	Skills Training	WIA Adult	WoRC	Summer Youth	WIA Youth	Child Care Block Grant	Continuum of Care	NWE Weatherization	Weatherization	Domestic Violence	Low Income Energy Assistance	Emergency Homeless and Shelter	Section 8	Management and General	Totals
Salaries	\$ 862,393	\$ 79,896	\$ 12,656	\$ -	\$ 38,324	\$ 105,340	\$ 29,655	\$ 56,889	\$ 84,218	\$ 1,828	\$ 6,562	\$ 49,402	\$ 89,569	\$ 55,826	\$ 10,036	\$ 87,348	\$ 200,585	\$ 1,770,527
Payroll taxes	110,929	6,379	1,695	-	4,865	12,698	2,740	6,741	10,783	242	625	6,652	11,739	6,996	1,291	11,344	23,712	219,431
Employee benefits	64,036	7,508	-	-	2,412	19,225	708	4,253	932	-	(81)	699	998	4,297	184	1,507	15,438	122,116
Contracted services	19,383	7,153	1,144	656	1,472	4,536	-	1,668	9,226	-	52,947	75,023	7,113	703	-	12,363	20,385	213,772
Travel	64,991	277	1,729	-	1,262	13,266	2	5,696	2,879	188	995	12,823	4,912	886	541	5,174	2,664	118,285
Other costs	2,335	3,514	973	-	-	-	-	-	900	3,630	-	396	1,137	8,285	962	11,510	5,992	39,634
Rent and space	19,908	13,074	-	-	1,998	8,337	-	2,157	9,378	-	(12)	1,412	12,008	4,993	9,361	(72,905)	8,337	18,046
Supplies	149,532	5,182	3,615	-	2,471	6,077	1	2,881	10,791	541	8	6,034	12,227	5,643	113	26,139	5,752	237,007
Telephone and utilities	41,842	996	8,723	-	110	4,052	-	107	390	1,433	-	99	5,441	142	1,994	67,476	622	133,427
Training	-	316	15	-	643	66	-	364	500	-	24	-	4,243	-	24	152	-	6,347
Support services	25,828	657	652	6,080	2,277	-	3,053	3,626	-	11,119	-	14,975	11,269	99,133	900	15,752	-	195,321
Insurance	20,487	3,617	976	-	3,673	2,959	28	521	2,332	4,156	-	-	5,086	1,244	-	17,395	-	62,474
Transportation	13,190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,190
Meals	135,563	-	1,991	-	-	-	-	-	-	-	-	-	-	-	-	-	-	137,554
Maintenance and repairs	29,087	-	552	-	-	-	-	-	-	3,739	-	113	946	-	-	21,249	-	55,686
Materials	-	-	-	-	-	-	-	-	-	-	34,628	28,363	-	-	-	-	-	62,991
Interest	-	-	-	-	-	-	-	-	-	3,750	-	-	-	-	-	45,442	-	49,192
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,616
Totals	\$ 1,559,504	\$ 128,569	\$ 34,721	\$ 6,736	\$ 59,507	\$ 176,556	\$ 36,187	\$ 84,903	\$ 132,329	\$ 30,626	\$ 95,809	\$ 195,878	\$ 166,688	\$ 188,148	\$ 25,406	\$ 249,946	\$ 381,103	\$ 3,552,616

Notes to Financial Statements are an integral part of this statement.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The District IV Human Resources Development Council (the Council) was organized to stimulate a better focusing of all available local, state, private, and federal resources upon the goal of enabling families with low incomes and individuals with low incomes of all ages in rural and urban areas of Hill, Blaine, and Liberty counties in Montana, to attain the skills, knowledge and motivations and secure the opportunities needed for them to become self-sufficient.

The board of directors exercise oversight responsibility for the following programs:

- Head Start
- Community Services Block Grant
- Food Bank
- Skills Training
- WIA Adult
- Work Readiness
- Summer Youth Training
- WIA Youth
- Child Care Block Grant
- Continuum of Care
- Northwestern Energy Weatherization
- Weatherization
- Domestic Violence
- Low Income Energy Assistance Programs
- Emergency Homeless and Shelter
- Section 8 and Buildings

The Council receives a significant portion of its revenue from grants and/or contracts from government agencies; thus, the Council is subject to possible cutbacks due to changes in funding priorities. During the years ended June 30, 2016 and 2015, the Council received approximately 74% and 82%, respectively, of its gross public support from such grants/contracts.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board. Under GAAP, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently or temporarily restricted assets were held during the years ended June 30, 2016 and 2015, and accordingly, these statements do not reflect any activity related to these classes of net assets. Grants and expenses are reported as increases and decreases in unrestricted net assets.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Council reports gifts of land, buildings, and other equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Council considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Council is exempt from federal income tax under the provisions of Section 501c(3) of the Internal Revenue Code.

In June 2006, the Financial Accounting Standards Board (FASB) issued standards addressing the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribing a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The determination of tax exempt status is considered to be a tax position with respect to these standards.

The Council's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Council has no uncertain tax positions.

With few exceptions, the Council is no longer subject to examinations by federal tax authorities for years before 2013.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

The Council records some designated grant receipts as a deferred revenue until it is expended for the purpose of the grant, at which time it becomes unconditional and is recognized as revenue.

Subsequent Events

The Council has evaluated events and transactions that occurred from the date of the financial statements through November 8, 2016, which is the date that the financial statements were available for issue.

NOTE 2. CONCENTRATION OF CREDIT RISK

At times, the Council may maintain deposits in excess of federally insured limits. Generally accepted accounting principles, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. As of June 30, 2016 and 2015, the Council's deposits were in excess of federally insured limits by \$1,592 and \$-0-, respectively.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or fair value at date of purchase or donation. Management's policy is to capitalize property and equipment purchases over \$5,000. Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

Transport Equipment	5 to 7 years
Office Furniture and Equipment	5 to 10 years
Buildings and Improvements	15 to 30 years

Major betterments are capitalized and depreciated. Maintenance and repairs that do not significantly improve or extend the life of the respective assets are expensed currently. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of activity.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 3. PROPERTY AND EQUIPMENT (CONTINUED)

The major classification of assets is outlined as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Transportation equipment	\$ 394,106	\$ 44,051	\$ (21,100)	\$ 417,057
Office furniture and equipment	211,409	18,154	-	229,563
Buildings and land	<u>1,314,703</u>	<u>-</u>	<u>-</u>	<u>1,314,703</u>
	1,920,218	62,205	(21,100)	1,961,323
Accumulated depreciation	<u>(1,368,520)</u>	<u>(70,454)</u>	<u>21,100</u>	<u>(1,417,874)</u>
Total	<u>\$ 551,698</u>	<u>\$ (8,249)</u>	<u>\$ -</u>	<u>\$ 543,449</u>

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Transportation equipment	\$ 394,106	\$ -	\$ -	\$ 394,106
Office furniture and equipment	195,315	16,094	-	211,409
Buildings and land	<u>1,359,503</u>	<u>-</u>	<u>(44,800)</u>	<u>1,314,703</u>
	1,948,924	16,094	(44,800)	1,920,218
Accumulated depreciation	<u>(1,270,904)</u>	<u>(97,616)</u>	<u>-</u>	<u>(1,368,520)</u>
Total	<u>\$ 678,020</u>	<u>\$ (81,522)</u>	<u>\$ (44,800)</u>	<u>\$ 551,698</u>

NOTE 4. NOTES RECEIVABLE

Notes receivable contains a loan made by the Council, to provide down-payment assistance to a first time homebuyer in the amount of \$21,500. No interest will be charged on the loan prior to default. Interest may be charged after default, at the sole option of the Council in the amount of 6% annum. The principal amount on this note, shall be due and payable in full upon the occurrence of one of the following events:

- a. The first sale or transfer of the property to occur after the date of this note.
- b. A default or breach under this note or the Deed of Trust securing this note.
- c. The borrower's refinancing of a lien superior to that created by the Deed of Trust securing this note.
- d. The borrower's vacation of the property or borrower's cessation of use as borrower's sole residence.
- e. Full payment of the original first mortgage

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 4. NOTES RECEIVABLE (CONTINUED)

If the note has not been paid in full by July 25, 2041, then the principal balance shall be paid in monthly installments equal to the last recorded principal and interest payment as documented by request of the Council from CSC (USDA Customer Service Center), which was due under the original 1st mortgage, the first of which shall be due August 25, 2041, and succeeding installments of which shall be due on the same day of each month until the entire amount due under this note is paid in full. Management reviews this loan on a continual basis for impairment. No allowance for doubtful loans has been maintained and would be immaterial to the financial statements.

As of June 30, 2016 and 2015, the Council had a note receivable with Buffalo Court Partnership, LLC in the amount of \$500,000. Interest is calculated at 1% annually with the unpaid principal and interest due August 2042. The note is secured by a Deed of Trust with Assignment of Rents. The interest income for the years ended June 30, 2016 and 2015, was \$5,000. As of June 30, 2016 and 2015, Buffalo Court Partnership, LLC owed the Council \$20,574 and \$15,574, respectively, for accrued interest.

NOTE 5. OTHER INCOME

Other income on the statements of activity consisted of the following:

	<u>2016</u>	<u>2015</u>
Equipment and building rent	\$ 197,839	\$ 191,143
Section 8 income	76,093	119,662
CRF income	87,797	62,274
Energy Share	3,817	4,154
Head Start childcare reimbursement	11,502	8,196
Domestic Violence rental income	21,538	5,500
NWE rental income	2,000	-
Insurance proceeds	410,272	-
Non-federal funds, other miscellaneous	3,373	9,216
	<u>\$ 814,231</u>	<u>\$ 400,145</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 6. NOTES PAYABLE

	<u>2016</u>	<u>2015</u>
Mortgages Payable		
Real estate mortgage payable to USDA - Rural Development. Payable in monthly installments of \$1,964 including interest at 5.125%, maturing June 2041; secured by property.	\$ 321,760	\$ 328,644
Real estate mortgage payable to USDA - Rural Development. Payable in monthly installments of \$2,712 including interest at 13.25%. As part of the Loan Agreement, the Council entered into an Interest Credit and Rental Assistance Agreement that reduces the monthly mortgage payment to \$528, which effectively lowers the interest rate to approximately 1% over the term of the loan. Matures in August 2031; secured by property.	203,199	208,432
Real estate mortgage payable to the Havre Housing Program - Bear Paw Development Corp. Payable in monthly installments of \$417 including interest at 6%, maturing in July 2016; secured by property.	-	4,817
Three notes payable to Community Frameworks to pay for infrastructure development costs for the mutual Self Help Housing Project, including 0% interest, matures February 2019, 100% forgivable upon compliance with loan agreement; unsecured.	160,000	160,000
Real estate mortgage payable to Independence Bank. Payable in monthly installments of \$1,990 including interest at 6.8% and one balloon payment of \$101,629 upon maturity on March 1, 2016; secured by property.	-	27,164
	<u>\$ 684,959</u>	<u>\$ 729,057</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 6. NOTES PAYABLE (CONTINUED)

Future maturities of long-term debt for the year ended June 30, 2016, are as follows:

<u>Year Ended June 30,</u>		
2017	\$	17,383
2018		17,851
2019		18,339
2020		18,848
2021		19,379
Thereafter		<u>593,159</u>
Total	\$	<u>684,959</u>

NOTE 7. EMPLOYEE BENEFITS

The Council has a Simple pension plan. The agency may contribute an amount equal to a maximum of 3% of gross wages for all eligible employees who make a contribution. Eligible employees are those who are one year past their employment date. Total contributions made by the Council amounted to \$24,356 and \$23,198 for June 30, 2016 and 2015, respectively.

The Council provides group health insurance to all permanent and seasonal employees who work 20 hours per week, or more, after three months of continuous employment.

NOTE 8. ANNUAL LEAVE

Annual leave is earned by full-time employees at the following rates:

<u>Years of Service</u>	<u>Annual Leave Earned</u>
0 – 5	.058 x hours worked per pay period
5 – 10	.069 x hours worked per pay period
10+	.075 x hours worked per pay period

Eligible part-time employees earn leave in proportion to the hours they work. Upon termination, employees may be paid for accrued annual leave up to a maximum of 200 hours. As of June 30, 2016 and 2015, \$71,903 and \$77,633 was payable for annual leave, respectively.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 9. OPERATING LEASES

The Head Start Program leases office and classroom space from Child Development, Inc. at a cost of \$8,400 per year. The lease expires November 2020. The Council also leases a Ford Explorer and a Ford Escape. The combined lease payment for the automobiles is \$874 per month. The automobile leases expire in December 31, 2016.

The future minimum lease payments for the year ended June 30, 2016, are as follows:

2017		\$	12,508
2018			8,400
2019			8,400
2020			<u>3,500</u>
Total			<u>\$ 32,808</u>

NOTE 10. INVESTMENT IN DISTRICT IV HRDC, LLC AND LLC1

The Council is the sole owner of District IV HRDC, LLC (a corporation). District IV HRDC, LLC owns a .005% general partnership interest in Buffalo Court Limited Partnership that provides housing for senior citizens with low incomes. The Council has estimated the value of this investment at \$-0- for both of the years ended June 30, 2016 and 2015.

The Council is the sole owner of District IV HRDC, LLC1 (a corporation). District IV HRDC, LLC1 owns a .005% general partnership interest in Antelope Court Limited Partnership that provides housing for families with low incomes with preference given to individuals with a disability. The Council has estimated the value of this investment at \$-0- for both of the years ended June 30, 2016 and 2015.

NOTE 11. RELATED PARTY TRANSACTIONS

In the years ending June 30, 2016 and 2015, the Council received \$27,357 and \$23,269, respectively, in expense reimbursement and developer fees from Buffalo Court Limited Partnership. During the years ended June 30, 2016 and 2015, the Council received \$20,741 and \$-0-, respectively, in expense reimbursement and developer fees from Antelope Court Limited Partnership.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 11. RELATED PARTY TRANSACTIONS (CONTINUED)

In 2012, the Council was awarded a HOME grant in the amount of \$500,000. The Council then loaned this money to Buffalo Court Limited Partnership to assist in the construction of the low income housing project. The terms of this note are described in Note 4.

In addition, Buffalo Court Limited Partnership donated land to the Council valued at \$44,800 in the year ended June 30, 2013. The Council sold this land to Antelope Court Limited Partnership in the year ended June 30, 2015.

SUPPLEMENTARY INFORMATION

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Award Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Head Start	93.600	08CH0034/02	\$ 1,641,397	\$ 677,104
Head Start	93.600	08CH1034/03	<u>1,641,397</u>	<u>956,456</u>
Total CFDC 93.600			<u>3,282,794</u>	<u>1,633,560</u>
Pass-through Montana Dept. of Public Health and Human Services				
Child Care Link - Provider Services	93.575	1502CCRR0028	105,036	52,713
Child Care Link - Family Services	93.575	1502CCRR0028	87,176	49,406
Child Care Link - Stars	93.575	1502CCRR0028	<u>1,857</u>	<u>865</u>
Total CFDA 93.575			<u>194,069</u>	<u>102,984</u>
Community Services Block Grant	93.569	15-028-10002	139,929	55,835
Community Services Block Grant	93.569	14-028-10002	<u>125,292</u>	<u>82,656</u>
Total CFDA 93.569			<u>265,221</u>	<u>138,491</u>
Low Income Energy Assistance-CRF	93.568	CRF2015	70,404	24,293
Low Income Energy Assistance-CRF	93.568	CRF2016	67,789	63,504
Low Income Energy Assistance - Administration	93.568	15-028-11002-0	33,361	7,468
Low Income Energy Assistance - Administration	93.568	16-028-11002-0	32,602	27,664
Low Income Energy Assistance-Client Education	93.568	15-028-14016-0	10,260	3,113
Low Income Energy Assistance-Client Education	93.568	16-028-14016-0	9,802	5,467
Low Income Energy Assistance-Outreach	93.568	15-028-11052-0	25,970	5,448
Low Income Energy Assistance-Outreach	93.568	16-028-15052-0	25,970	21,351
Weatherization-LIEAP	93.568	15-028-16002-0	108,200	41,997
Weatherization-LIEAP	93.568	16-028-16002-0	<u>121,897</u>	<u>87,184</u>
Total CFDA 93.568			<u>506,255</u>	<u>287,489</u>
State Domestic Abuse	93.671	20133DMLV00013	<u>41,671</u>	<u>41,671</u>
Total CFDA 93.671			<u>41,671</u>	<u>41,671</u>
WoRC	93.558	15-0022-28015-0	176,915	4,451
WoRC	93.558	16-022-28015-0	259,062	170,605
TANF - ABLE	93.558	16-022-61006-0	32,808	21,509
TANF - Summer Youth	93.558	DLISF13WIAYOUTH04	38,528	32,145
TANF - Summer Youth	93.558	DLISF13WIAYOUTH04	<u>49,515</u>	<u>18,201</u>
Total CFDA 93.558			<u>556,828</u>	<u>246,911</u>
Subtotal for Pass-through Montana Dept. of Health and Human Services			<u>1,564,044</u>	<u>817,546</u>
Total U.S. Department of Health and Human Services			<u>\$ 4,846,838</u>	<u>\$ 2,451,106</u>

Notes to Schedule of Federal Expenditures are an integral part of this schedule.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Award Number	Program or Award Amount	Federal Expenditures
<u>U.S Department of Labor</u>				
Pass-through Montana Dept. of Labor				
WIA Adult	17.258	DL1SFY13-WIAADULT04	\$ 35,800	\$ 596
WIA Adult	17.258	DL1SFY13-WIAADULT04	35,323	35,323
WIA Adult Carry Over	17.258	DL1SFY13-WIAADULT04	<u>908</u>	<u>908</u>
Total CFDA 17.258			<u>72,031</u>	<u>36,827</u>
WIA Youth	17.259	DL1SFY13-WIAYOUTH04	90,954	11,383
WIA Youth	17.259	DL1SFY13-WIAYOUTH04	89,012	89,012
WIA Youth Carry Over	17.259	DL1SFY13-WIAYOUTH04	<u>2,536</u>	<u>2,536</u>
Total CFDA 17.259			<u>182,502</u>	<u>102,931</u>
Total U.S. Department of Labor			<u>\$ 254,533</u>	<u>\$ 139,758</u>
<u>U.S Department of Housing and Urban Development</u>				
Pass-through Montana Dept. of Public Health and Human Services				
Emergency Shelter Grant	14.231	14-028-51002-0	\$ 18,506	\$ 684
Emergency Shelter Grant	14.231	15-028-51002-0	<u>18,506</u>	<u>18,146</u>
Total CFDA 14.231			<u>37,012</u>	<u>18,830</u>
Housing Counseling Assistance Program	14.169	HUD2016-2017	<u>15,000</u>	<u>5,579</u>
Total CFDA 14.169			<u>15,000</u>	<u>5,579</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 52,012</u>	<u>\$ 24,409</u>
<u>U.S Department of Energy</u>				
Pass-through Montana Dept. of Public Health and Human Services				
Weatherization-DOE	81.042	15-028-30022-0	\$ 39,506	\$ 39,506
Weatherization - DOE-Fort Belknap	81.042	15-028-30036-0	37,291	37,291
Weatherization - DOE-Rocky Boy	81.042	14-028-30037-0	31,938	6
Weatherization - DOE-Rocky Boy	81.042	15-028-30037-0	<u>36,177</u>	<u>36,177</u>
Total CFDA 81.042			<u>144,912</u>	<u>112,980</u>
Total U.S. Department of Energy			<u>\$ 144,912</u>	<u>\$ 112,980</u>

Notes to Schedule of Federal Expenditures are an integral part of this schedule.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Award Number	Program or Award Amount	Federal Expenditures
<u>U.S Department of Education</u>				
Pass-through Montana Office of Public Instruction				
Adult Education and Family Literacy	84.002	6299525610BG	\$ 30,422	\$ 14,531
Total CFDA 84.002			<u>30,422</u>	<u>14,531</u>
Preschool Development Grants	84.419	1602PROS0278	20,000	14,242
Total CFDA 84.419			<u>20,000</u>	<u>14,242</u>
Total U.S. Department of Education			<u>\$ 50,422</u>	<u>\$ 28,773</u>
<u>U.S. Department of Agriculture</u>				
Pass-through Montana Dept. of Public Health and Human Services				
USDA Reimbursement	10.558	06-03-CACFP-077	\$ 81,791	\$ 27,465
USDA Reimbursement	10.558	06-03-CACFP-077	57,827	57,589
Total CFDA 10.558			<u>139,618</u>	<u>85,054</u>
Total U.S. Department of Agriculture			<u>\$ 139,618</u>	<u>\$ 85,054</u>
<u>Department of Homeland Security</u>				
FEMA	97.024	557000-003	\$ 3,761	\$ 3,761
Total CFDA 97.024			<u>3,761</u>	<u>3,761</u>
Total Department of Homeland Security			<u>\$ 3,761</u>	<u>\$ 3,761</u>
<u>U.S Department of Justice</u>				
Pass-through Montana Board of Crime Control				
Crime Control	16.575	13-V01-91516	\$ 66,251	\$ 585
Crime Control	16.575	12-V01-91185	190,814	82,814
Total CFDA 16.575			<u>257,065</u>	<u>83,399</u>
Total U.S. Department of Justice			<u>\$ 257,065</u>	<u>\$ 83,399</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,929,240</u>

Notes to Schedule of Federal Expenditures are an integral part of this schedule.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Council and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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)*.

NOTE 2. INDIRECT COST RATE

The Council has not elected to use the 10% de minimis cost rate as provided in §200.414 Indirect (F&A) costs.

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
District IV Human Resources Development Council
Havre, Montana

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 District IV Human Resources Development Council (the Council) (a nonprofit organization), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen & Co. P.C.

Havre, Montana
November 8, 2016

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

Board of Directors
District IV Human Resources Development Council
Havre, Montana

Report on Compliance for Each Major Federal Program

We have audited District IV Human Resources Development Council's (the Council) 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 Council's major federal programs for the year ended June 30, 2016. The Council's major federal programs are identified in the summary of auditors' 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 each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council'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 programs. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on the Major Federal Program

In our opinion, the Council 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 programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Council 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 Council'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 Council'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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Anderson Zurmuehlen & Co. P.C.

Havre, Montana
November 8, 2016

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

Section I – Summary of Auditor Results:

Financial Statements:

Type of Auditor’s Report issued: Unmodified

Internal Control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are 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 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.568	Low Income Energy Assistance
93.558	Temporary Assistance for Needy Children
93.569	Community Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
June 30, 2016

Section II – Findings Relating to Financial Statements

The audit report for the year ended June 30, 2016, reported no findings.

Section III – Federal Award Findings and Questioned Costs

None.

Section IV – Status of Corrective Action on Prior Findings

None.



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