

**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, 2018 and 2017**



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## INDEPENDENT AUDITOR'S 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, 2018 and 2017, and the related statements of activities and changes in net assets, 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, 2018 and 2017, 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, 2018, 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, 2018

FINANCIAL STATEMENTS

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 185,243	\$ 87,723
Cash and cash equivalents - restricted	137,597	121,119
Grants receivable	235,223	328,553
Accounts receivable	<u>78,251</u>	<u>48,969</u>
Total current assets	<u>636,314</u>	<u>586,364</u>
LAND, BUILDINGS, AND EQUIPMENT, NET	<u>634,609</u>	<u>516,174</u>
<b>OTHER ASSETS</b>		
Notes receivable	1,686,500	1,686,500
Interest receivable	86,992	47,042
Other assets	<u>550</u>	<u>1,296</u>
Total other assets	<u>1,774,042</u>	<u>1,734,838</u>
Total assets	<u>\$ 3,044,965</u>	<u>\$ 2,837,376</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 122,073	\$ 153,346
Accrued payroll and benefits	69,492	75,282
Accrued vacation	93,765	76,492
Current portion of long-term debt	<u>48,339</u>	<u>17,851</u>
Total current liabilities	<u>333,669</u>	<u>322,971</u>
LONG TERM DEBT, NET OF CURRENT PORTION	<u>479,447</u>	<u>653,893</u>
Total liabilities	<u>813,116</u>	<u>976,864</u>
<b>NET ASSETS</b>		
Unrestricted	<u>2,231,849</u>	<u>1,860,512</u>
Total net assets	<u>2,231,849</u>	<u>1,860,512</u>
Total liabilities and net assets	<u>\$ 3,044,965</u>	<u>\$ 2,837,376</u>

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 STATEMENTS OF ACTIVITIES  
 Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>REVENUES AND OTHER SUPPORT</b>		
Grants awarded	\$ 3,457,461	\$ 4,324,310
Contributions	202,341	80,583
Fees	341,488	155,660
Investment income	7,761	202
Other income	<u>408,259</u>	<u>786,886</u>
Total revenues and other support	<u>4,417,310</u>	<u>5,347,641</u>
<b>EXPENSES</b>		
Program:		
Head Start	1,846,331	1,641,515
Community Services Block Grant	152,234	141,446
Food Bank	58,589	64,244
Skills Training	635	1,996
WIA Adult	86,851	49,609
Pathways	140,153	168,511
Summer Youth Training	26,245	48,123
WIA Youth	63,566	82,354
Child Care Block Grant	6,220	7,987
Continuum of Care	66,190	203,391
Northwestern Energy (NWE) Weatherization	120,049	156,662
Weatherization	314,023	348,578
Domestic Violence	199,994	194,934
Low Income Energy Assistance Program	213,624	216,197
Emergency Homeless and Shelter	23,318	17,207
Section 8 and Buildings	292,573	435,108
Veterans Helping Veterans	<u>856</u>	<u>1,073</u>
Total program expense	3,611,451	3,778,935
Management and general	<u>434,522</u>	<u>403,742</u>
Total expenses	4,045,973	4,182,677
Gain on disposal of assets	<u>-</u>	<u>(1,765)</u>
Total expenses and losses	<u>4,045,973</u>	<u>4,180,912</u>
Change in net assets	371,337	1,166,729
Net assets at beginning of year	<u>1,860,512</u>	<u>693,783</u>
Net assets at end of year	<u>\$ 2,231,849</u>	<u>\$ 1,860,512</u>

The 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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants	\$ 3,545,001	\$ 4,222,927
Cash received from contributions	72,341	80,583
Cash received from fees and other sources	681,261	925,727
Cash paid to suppliers and employees	(3,927,277)	(4,063,479)
Interest income	7,761	202
Interest expenses	<u>(42,150)</u>	<u>(42,891)</u>
Net cash flows from operating activities	<u>336,937</u>	<u>1,123,069</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(208,981)	(64,640)
Cash received from sale of property	-	1,765
Cash lent for note receivable	<u>-</u>	<u>(1,165,000)</u>
Net cash from investing activities	<u>(208,981)</u>	<u>(1,227,875)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes	<u>(13,958)</u>	<u>(13,215)</u>
Net cash flows from financing activities	<u>(13,958)</u>	<u>(13,215)</u>
Net change in cash and cash equivalents	113,998	(118,021)
Cash and cash equivalents, beginning of year	<u>208,842</u>	<u>326,863</u>
Cash and cash equivalents, end of year	<u>\$ 322,840</u>	<u>\$ 208,842</u>
<b>Reconciliation of Cash to Statement of Financial Position</b>		
Cash and cash equivalents	\$ 185,243	\$ 87,723
Cash and cash equivalents - restricted	<u>137,597</u>	<u>121,119</u>
	<u>\$ 322,840</u>	<u>\$ 208,842</u>

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Change in net assets	\$ 371,337	\$ 1,166,729
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	90,546	91,915
Gain on disposal of assets	-	(1,765)
Contribution for forgiveness of debt	(130,000)	-
Changes in operating assets and liabilities:		
Grants receivable	93,330	(97,098)
Accounts receivable	(29,282)	(3,226)
Interest receivable	(39,950)	(26,468)
Other assets	746	884
Accounts payable	(31,273)	(8,206)
Refundable grant advances	(5,790)	(4,285)
Accrued vacation and sick leave	<u>17,273</u>	<u>4,589</u>
Net cash flows from operating activities	<u>\$ 336,937</u>	<u>\$ 1,123,069</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 42,150</u>	<u>\$ 42,891</u>
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SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES

During the year ended June 30, 2018, the Council recognized a contribution of debt forgiven of \$130,000. There were no noncash financing and investing activities in 2017.

**DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2018

	Head Start	Community Services Block Grant	Food Bank	Skills Training	WIA Adult	Pathways	Summer Youth	WIA Youth	Child Care Block Grant	Continuum of Care	NWE Weatherization	Weatherization	Domestic Violence	Low Income Energy Assistance Program	Emergency Homeless and Shelter	Section 8	Veterans Helping Veterans	Management and General	Totals
Salaries	\$ 1,080,146	\$ 107,661	\$ 22,917	\$ 9	\$ 43,139	\$ 70,698	\$ 22,928	\$ 36,428	\$ -	\$ 4,505	\$ -	\$ 68,842	\$ 99,532	\$ 57,569	\$ 12,174	\$ 116,554	\$ -	\$ 214,966	\$ 1,958,068
Payroll taxes	135,673	10,289	2,536	1	5,107	8,545	2,807	4,455	-	568	-	8,370	12,663	7,159	1,592	14,196	-	23,173	237,134
Employee benefits	71,728	10,123	3,631	1	4,995	4,970	314	3,338	-	240	-	1,052	186	4,268	65	13,409	-	22,684	141,004
Contracted services	24,023	4,906	986	-	1,528	33,797	-	1,141	3,400	-	54,882	157,848	4,130	-	456	12,968	-	28,972	329,037
Travel	47,593	8,193	1,238	(398)	7,337	7,483	195	1,432	-	923	(1)	17,686	9,143	2,253	482	13,524	-	9,215	126,298
Other costs	5,062	2,232	761	13	4	-	1	(1)	(399)	5,745	2	6,833	1,782	3,853	980	30,994	-	11,606	69,468
Rent and space	8,400	2,280	-	-	2,588	5,588	-	5,818	-	-	-	-	12,468	-	19,222	(91,812)	-	14,853	(20,595)
Supplies	160,879	2,711	5,249	985	16,524	5,432	-	4,802	3,019	395	3,779	7,683	8,446	8	1,414	18,835	-	16,391	256,552
Telephone and utilities	58,840	788	8,069	-	258	1,318	-	865	-	3,791	444	148	4,113	-	4,394	63,556	-	2,190	148,774
Training	-	1,531	-	-	-	-	-	-	-	-	-	-	2,662	-	-	277	-	-	4,470
Support services	19,712	(350)	1,407	9	3,205	-	-	4,285	-	21,054	25,431	(4,285)	32,388	135,991	(18,176)	8,757	-	(74)	229,354
Insurance	27,719	414	639	-	2,008	1,791	-	540	100	3,187	371	147	4,985	1,666	34	3,207	-	-	46,808
Transportation	13,983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,983
Meals	160,794	-	1,513	-	-	-	-	-	-	-	-	-	369	-	-	-	-	-	162,676
Maintenance and repairs	31,742	-	9,495	-	-	-	-	-	-	25,042	-	-	6,444	-	616	43,503	(1.00)	-	116,841
Legal and accounting	37	1,456	148	15	158	531	-	463	100	740	-	1,324	683	857	65	2,191	-	-	8,768
Materials	-	-	-	-	-	-	-	-	-	-	35,141	48,375	-	-	-	264	857	-	84,637
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,150	-	-	42,150
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,546	90,546
<b>Totals</b>	<b>\$ 1,846,331</b>	<b>\$ 152,234</b>	<b>\$ 58,589</b>	<b>\$ 635</b>	<b>\$ 86,851</b>	<b>\$ 140,153</b>	<b>\$ 26,245</b>	<b>\$ 63,566</b>	<b>\$ 6,220</b>	<b>\$ 66,190</b>	<b>\$ 120,049</b>	<b>\$ 314,023</b>	<b>\$ 199,994</b>	<b>\$ 213,624</b>	<b>\$ 23,318</b>	<b>\$ 292,573</b>	<b>\$ 856</b>	<b>\$ 434,522</b>	<b>\$ 4,045,973</b>

The 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, 2017

	Head Start	Community Services Block Grant	Food Bank	Skills Training	WIA Adult	Pathways	Summer Youth	WIA Youth	Child Care Block Grant	Continuum of Care	NWE Weatherization	Weatherization	Domestic Violence	Low Income Energy Assistance Program	Emergency Homeless and Shelter	Section 8	Veterans Helping Veterans	Management and General	Totals
Salaries	\$ 910,976	\$ 91,536	\$ 15,380	\$ 962	\$ 32,762	\$ 92,283	\$ 41,381	\$ 55,270	\$ 269	\$ 3,286	\$ 3,642	\$ 64,773	\$ 104,238	\$ 54,107	\$ 7,479	\$ 107,687	\$ -	\$ 202,709	\$ 1,788,740
Payroll taxes	112,356	8,878	1,817	137	3,765	10,969	4,043	6,018	34	377	481	8,126	13,218	6,428	936	13,207	-	22,226	213,016
Employee benefits	82,403	11,680	1,540	5	3,085	7,479	601	3,573	(2)	566	-	511	1,190	4,167	197	12,286	-	18,216	147,497
Contracted services	9,871	2,422	18,521	-	1,404	16,453	-	1,447	5,942	-	81,917	103,870	5,324	-	373	99,816	-	16,555	363,915
Travel	61,556	9,966	3,008	127	532	23,690	171	2,174	-	290	6	19,671	4,183	851	-	11,279	-	13,324	150,828
Other costs	1,990	3,384	749	-	-	-	-	-	399	6,362	-	6,777	1,908	3,066	993	22,013	-	5,526	53,167
Rent and space	8,400	2,282	-	-	2,536	5,669	-	4,970	-	-	-	3,416	12,468	1,362	12,345	(67,190)	-	11,048	(2,694)
Supplies	166,821	3,500	4,394	550	2,316	7,078	81	4,096	1,265	2	4,580	3,690	12,337	2,010	266	14,942	-	20,291	248,219
Telephone and utilities	49,426	1,119	8,002	39	533	3,170	-	543	-	2,042	-	1,054	5,172	203	2,380	61,968	-	1,932	137,583
Training	237	2,372	-	-	75	-	-	-	-	-	-	-	1,065	-	-	-	-	-	3,749
Support services	23,806	4,015	2,488	98	1,182	(1,058)	1,846	3,454	-	1,515	-	46,018	12,655	143,120	(8,030)	5,845	-	-	236,954
Insurance	26,075	252	1,238	-	1,334	2,685	-	809	-	4,685	362	4,412	5,793	1,303	23	8,035	-	-	57,006
Transportation	18,053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,053
Meals	140,423	-	5,672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	146,095
Maintenance and repairs	29,011	-	1,095	-	-	-	-	-	-	176,423	4,544	-	14,546	-	245	96,721	-	-	322,585
Legal and accounting	111	40	340	78	85	93	-	-	80	383	-	1,000	837	-	-	5,608	-	-	8,655
Materials	-	-	-	-	-	-	-	-	-	7,460	61,130	85,260	-	(420)	-	-	1,073	-	154,503
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,891	-	-	42,891
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,915	91,915
<b>Totals</b>	<b>\$ 1,641,515</b>	<b>\$ 141,446</b>	<b>\$ 64,244</b>	<b>\$ 1,996</b>	<b>\$ 49,609</b>	<b>\$ 168,511</b>	<b>\$ 48,123</b>	<b>\$ 82,354</b>	<b>\$ 7,987</b>	<b>\$ 203,391</b>	<b>\$ 156,662</b>	<b>\$ 348,578</b>	<b>\$ 194,934</b>	<b>\$ 216,197</b>	<b>\$ 17,207</b>	<b>\$ 435,108</b>	<b>\$ 1,073</b>	<b>\$ 403,742</b>	<b>\$ 4,182,677</b>

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The District IV Human Resources Development Council (the Council) was organized to better focus 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
- Pathways
- Summer Youth Training
- WIA Youth
- Child Care Block Grant
- Continuum of Care
- NWE Weatherization
- Weatherization
- Domestic Violence
- Low Income Energy Assistance Program
- Emergency Homeless and Shelter
- Section 8 and Buildings
- Veterans Helping Veterans

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, 2018 and 2017, the Council received approximately 77% and 81%, 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, 2018 and 2017, 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, 2018 and 2017

**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.

**Restricted Cash and Cash Equivalents**

Certain cash balances generated from grant and other income sources are classified as restricted on the statement of financial position due to the use being limited to specific programs or functions.

**Receivables**

Receivables consist primarily of amounts due from grants and other income sources. The allowance method is used to determine uncollectible amounts. An allowance for uncollectible receivables is provided based on management's estimate, including such factors as prior collection history. Management believes all receivables are fully collectible at June 30, 2018 and 2017. Accordingly, no allowance for double accounts is considered necessary.

**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 501(c)(3) of the Internal Revenue Code.

**Refundable Grant Advances**

The Council records some designated grant receipts as refundable grant advances until they are expended for the purpose of the grant, at which time they become unconditional and are recognized as revenue.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2018 and 2017

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Annual Leave**

Employees accrue vacation from the date of hire. Vacation is accrued based on years of service and is prorated for employees with less than full-time status. Upon termination, employees may be paid for accrued annual leave up to a maximum of 200 hours. Vacation is accrued and expensed monthly.

**Reclassifications**

Certain reclassifications have been made to the June 30, 2017 financial statements to conform to the June 30, 2018 presentation. Such reclassifications had no effect on previously reported net assets or changes in net assets.

**Subsequent Events**

The Council has evaluated events and transactions that occurred from the date of the financial statements through November 8, 2018, which is the date that the financial statements were available for issue.

**NOTE 2. CASH AND CASH EQUIVALENTS**

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

At times, the Council may maintain deposits in excess of federally insured limits. Generally accepted accounting principles identify these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. As of June 30, 2018 and 2017, the Council's deposits were in excess of federally insured limits by \$136,505 and \$2,347, 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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2018 and 2017

**NOTE 3. PROPERTY AND EQUIPMENT (CONTINUED)**

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.

Property and equipment transactions for the years ended June 30, 2018 and 2017 are as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Transportation equipment	\$ 414,778	\$ 9,999	\$ -	\$ 424,777
Office furniture and equipment	231,739	-	-	231,739
Buildings and land	1,314,703	220,490	-	1,535,193
Construction in process	21,508	-	(21,508)	-
	1,982,728	230,489	(21,508)	2,191,709
Accumulated depreciation	(1,466,554)	(90,546)	-	(1,557,100)
Total	<u>\$ 516,174</u>	<u>\$ 139,943</u>	<u>\$ (21,508)</u>	<u>\$ 634,609</u>

  

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Transportation equipment	\$ 417,057	\$ 31,456	\$ (33,735)	\$ 414,778
Office furniture and equipment	229,563	11,676	(9,500)	231,739
Buildings and land	1,314,703	-	-	1,314,703
Construction in process	-	21,508	-	21,508
	1,961,323	64,640	(43,235)	1,982,728
Accumulated depreciation	(1,417,874)	(91,915)	43,235	(1,466,554)
Total	<u>\$ 543,449</u>	<u>\$ (27,275)</u>	<u>\$ -</u>	<u>\$ 516,174</u>

**NOTE 4. NOTES RECEIVABLE**

Notes receivable contain 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% per annum.



DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2018 and 2017

**NOTE 4. NOTES RECEIVABLE (CONTINUED)**

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.

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 1<sup>st</sup> 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.

The Council has two outstanding notes receivable related to its housing program. As more fully disclosed in Note 9, the Council is the single member of the two entities created to serve as the general partner in low- and moderate-income housing projects located in Havre, Montana. Buffalo Court, consisting of twenty units, was completed in 2012. Antelope Court, consisting of thirty units, was completed in 2017. The Council received grant funds which was subsequently lent to the partnerships created to construct and operate the housing complexes.

As of June 30, 2018 and 2017, 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 both of the years ended June 30, 2018 and 2017, was \$5,000. As of June 30, 2018 and 2017, Buffalo Court Partnership, LLC owed the Council \$30,574 and \$25,574, respectively, for accrued interest.

As of June 30, 2018 and 2017, the Council had a note receivable with Antelope Court Limited Partnership in the amount of \$1,165,000. Interest is calculated at 3% annually with the unpaid principal and interest due April 2056. The note is secured by a Deed of Trust with Assignment of Rents. The interest income for the years ended June 30, 2018 and 2017, was \$38,761 and \$21,468, respectively. As of June 30, 2018 and 2017, Antelope Court Limited Partnership owed the Council \$56,418 and \$21,468, respectively for accrued interest.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2018 and 2017

**NOTE 5. OTHER INCOME**

Other income on the statements of activity for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Equipment and building rent	\$ 144,343	\$ 90,004
Section 8 income	106,776	151,553
CRF income	89,596	96,752
Energy share	3,483	2,596
Head Start childcare reimbursement	12,072	13,793
Domestic violence rental income	4,950	3,175
NWE rental and MPC income	5,627	8,806
Insurance proceeds	-	392,189
Interest income	39,950	26,468
Non-federal funds, other miscellaneous	1,462	1,550
	<u>\$ 408,259</u>	<u>\$ 786,886</u>

**NOTE 6. NOTES PAYABLE**

	<u>2018</u>	<u>2017</u>
<b>Mortgages Payable</b>		
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.	\$ 306,888	\$ 314,514
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.	190,898	197,230
Note 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.	<u>30,000</u>	<u>160,000</u>
	<u>\$ 527,786</u>	<u>\$ 671,744</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2018 and 2017

**NOTE 6. NOTES PAYABLE (CONTINUED)**

Future maturities of long-term debt for the year ended June 30, 2018, are as follows:

<u>Year Ended June 30,</u>	
2019	\$ 48,339
2020	18,848
2021	19,379
2022	19,933
2023	20,512
Thereafter	<u>400,775</u>
Total	<u>\$ 527,786</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 \$25,895 and \$22,578 for June 30, 2018 and 2017, 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. 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. In 2017, the Council leased a vehicle with a lease payment of \$412 per month. The vehicle lease expires in January 2020. In 2018, the Council leased a vehicle with a lease payment of \$405 per month. The vehicle lease expires in February 2021. Lease expense for the years ended June 30, 2018 and 2017 was approximately \$16,000 and \$13,000, respectively.

The future minimum lease payments for the year ended June 30, 2018, are as follows:

2019	\$ 18,200
2020	11,242
2021	<u>2,836</u>
Total	<u>\$ 32,278</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2018 and 2017

**NOTE 9. INVESTMENT IN DISTRICT IV HRDC, LLC AND LLC1**

The Council is the sole member 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 low income senior citizens. The Council has estimated the value of this investment at \$-0- for both of the years ended June 30, 2018 and 2017.

The Council is the sole member 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 low income families 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, 2018 and 2017.

**NOTE 10. RELATED PARTY TRANSACTIONS**

For the years ended June 30, 2018 and 2017, the Council received \$36,296 and \$33,648, respectively, in expense reimbursement and developer fees from Buffalo Court Limited Partnership. At June 30, 2018 and 2017, accrued developer fees receivable were \$24,436. Payment is contingent on available cash as defined by the partnership agreement.

During the years ended June 30, 2018 and 2017, the Council received \$173,761 and \$-0-, respectively, in expense reimbursement and developer fees from Antelope Court Limited Partnership. At June 30, 2018 and 2017, accrued developer fees receivable were \$7,104. Payment is contingent on available cash as defined by the partnership agreement.

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 2017, the Council was awarded a HOME grant in the amount of \$1,165,000. The Council then loaned this money to Antelope Court Limited Partnership to assist in the construction of the low income housing project. The terms of this note are described in Note 4.

The Council is reimbursed for two employees who manage and maintain these facilities. For the years ended June 30, 2018 and 2017, total amounts reimbursed were \$79,871 and \$33,648, respectively.

SUPPLEMENTARY INFORMATION

**DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2018**

Federal Source/ Pass-through Source/ Program Title	Federal CFDA Number	Award Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
Head Start	93.600	08CH1034/03	\$ 948,228	\$ -
Head Start	93.600	08CH1034/04	<u>1,218,195</u>	<u>-</u>
Total CFDA 93.600			<u>2,166,423</u>	<u>-</u>
Pass-through Montana Dept. of Public Health and Human Services				
Community Services Block Grant	93.569	17-0281-0002-0	94,551	-
Community Services Block Grant	93.569	18-0281-0002-0	<u>44,938</u>	<u>-</u>
Total CFDA 93.569			<u>139,489</u>	<u>-</u>
Low Income Energy Assistance-CRF	93.568	CRF2017	25,402	-
Low Income Energy Assistance-CRF	93.568	CRF2018	64,194	-
Low Income Energy Assistance - Administration	93.568	17-028-11002-0	10,104	-
Low Income Energy Assistance - Administration	93.568	18-028-13002-0	51,102	-
Low Income Energy Assistance-Client Education	93.568	17-028-14016-0	3,502	-
Low Income Energy Assistance-Outreach	93.568	17-028-15052-0	6,145	-
Weatherization-LIEAP	93.568	16-028-16002-0	95,964	-
Weatherization-LIEAP	93.568	17-028-16002-0	<u>47,195</u>	<u>-</u>
Total CFDA 93.568			<u>303,608</u>	<u>-</u>
State Domestic Abuse	93.671	20133DMLV00013	<u>43,475</u>	<u>-</u>
Total CFDA 93.671			<u>43,475</u>	<u>-</u>
Pathways WoRC	93.558	17-022-28012-0	140,154	-
TANF - Summer Youth	93.558	DLISF13WIA YOUTH04	<u>28,367</u>	<u>-</u>
Total CFDA 93.558			<u>168,521</u>	<u>-</u>
Subtotal for Pass-through Montana Dept. of Health and Human Services			<u>655,093</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>2,821,516</u>	<u>-</u>
<u>U.S Department of Labor</u>				
Pass-through Montana Dept. of Labor				
WIA Adult	17.258	DL1SFY13-WIOAADULT04-A5	<u>33,047</u>	<u>-</u>
Total CFDA 17.258			<u>33,047</u>	<u>-</u>
WIA Youth	17.259	DL1SFY13-WIOAYOUTH04-A5	<u>74,020</u>	<u>-</u>
Total CFDA 17.259			<u>74,020</u>	<u>-</u>
Total U.S. Department of Labor			<u>107,067</u>	<u>-</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, 2018

Federal Source/ Pass-through Source/ Program Title	Federal CFDA Number	Award Number	Federal Expenditures	Passed Through to Subrecipients
<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	16-028-51002-0	1,165	-
Emergency Shelter Grant	14.231	17-028-51002-0	<u>42,306</u>	-
Total CFDA 14.231			<u>43,471</u>	-
Housing Counseling Assistance Program	14.169	HUD2016-2018	<u>10,929</u>	-
Total CFDA 14.169			<u>10,929</u>	-
Total U.S. Department of Housing and Urban Development			<u>54,400</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	124,918	-
Weatherization - DOE-Fort Belknap	81.042	15-028-30036-0	41,483	-
Weatherization - DOE-Rocky Boy	81.042	16-028-30037-0	<u>39,648</u>	-
Total CFDA 81.042			<u>206,049</u>	-
Total U.S. Department of Energy			<u>206,049</u>	-
<u>U.S Department of Education</u>				
Pass-through Montana Office of Public Instruction				
Adult Education and Family Literacy	84.002	62299525610BG - Fed	30,770	-
Adult Education and Family Literacy	84.002	62299525610BG - State	<u>28,613</u>	-
Total CFDA 84.002			<u>59,383</u>	-
Preschool Development Grants	84.419	1702PROS0278	5,853	-
Preschool Development Grants	84.419	1802PROS0278	<u>1,019</u>	-
Total CFDA 84.419			<u>6,872</u>	-
Total U.S. Department of Education			<u>66,255</u>	-
<u>U.S. Department of Agriculture</u>				
Pass-through Montana Dept. of Public Health and Human Services				
USDA Reimbursement	10.558	12-02-CACFP-127	28,000	-
USDA Reimbursement	10.558	12-02-CACFP-127	<u>59,940</u>	-
Total CFDA 10.558			<u>87,940</u>	-
Total U.S. Department of Agriculture			<u>87,940</u>	-
<u>U.S Department of Justice</u>				
Pass-through Montana Board of Crime Control				
Crime Control	16.575	15-V01-91801	9,413	-
Crime Control	16.575	16-V01-91801	<u>104,737</u>	-
Total CFDA 16.575			<u>114,150</u>	-
Total U.S. Department of Justice			<u>114,150</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,457,377</u>	<u>\$ -</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, 2018

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of the Council under programs of the federal government for the year ended June 30, 2018. 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)*. Because the Schedule presents only a select portion of the operations of the Council, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the Council.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting which is the method of accounting used for the financial statements. Such expenditures are recognized following, as applicable, either the cost principles of Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3. INDIRECT COST RATE**

The Council has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

**NOTE 4. MATCHING**

The Council provided cash and in-kind match in the year ended June 30, 2018, for federal awards as follows:

Program Title	Federal CFDA Number	Amount Provided
Early Head Start	93.600	\$ <u>278,754</u>



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, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2018.

**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, 2018

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, 2018. The Council's major federal program is 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 major federal program for the year ended June 30, 2018.

### **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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, 2018

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 June 30, 2018

**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 Number</u>	<u>Name of Federal Program</u>
93.600	Head Start and Early Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**Section II – Findings Relating to Financial Statements**

The audit report for the year ended June 30, 2018, reported no findings.

**Section III – Federal Award Findings and Questioned Costs**

The audit report for the year ended June 30, 2017, reported no findings.

**Section IV – Status of Corrective Action on Prior Findings**

The audit report for the year ended June 30, 2017, reported no findings.



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