

**HINDS COUNTY
HUMAN RESOURCE AGENCY
JACKSON, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2009**

HINDS COUNTY HUMAN RESOURCE AGENCY
Audited Financial Statements and Additional Information
September 30, 2009

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Certified Public Accountants

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Anita L. Goodrum, CPA

Independent Auditors' Report

Board of Directors
Hinds County Human Resource Agency
Jackson, Mississippi

We have audited the accompanying statement of financial position of Hinds County Human Resource Agency (a nonprofit organization) as of September 30, 2009, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Hinds County Human Resource Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As more fully described in Note 12 to the financial statements, the Agency has recorded contributions of services requiring non-specialized skills. In our opinion, contributions of services should be recognized only if the services received require specialized skills in accordance with Statement of Financial Accounting Standards No. 116, *Financial Statements of Not-for-Profit Organizations*. The effects on the financial statements of the preceding practice are that revenues and expenses are both increased by \$3,878,670.

In our opinion, except for the effects of recording contributions of services requiring non-specialized skills as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Hinds County Human Resource Agency as of September 30, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2009, on our consideration of Hinds County Human Resource Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Hinds County Human Resource Agency taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Eupora, Mississippi
March 8, 2010

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Financial Position
September 30, 2009

Assets

Current Assets:

Cash	\$ 372,911
Investments	93,638
Grant/contract funds receivable	9,368,042
Other receivables	20,924
Security deposits	1,500
Total Current Assets	9,857,015

Capital Assets:

Property and equipment, net of accumulated depreciation of \$188,191	6,518,137
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Total Assets	\$ 16,375,152
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 657,374
Deferred revenue	68,594
Accrued liabilities	458,412
Unobligated Head Start funds	7,572,063
Total Current Liabilities	8,756,443

Net Assets:

Unrestricted	1,005,183
Temporarily restricted	173,183
Permanently restricted	6,440,343

Total Net Assets	7,618,709
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Total Liabilities and Net Assets	\$ 16,375,152
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See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended September 30, 2009

Changes in Unrestricted Net Assets:

Unrestricted Revenues and Gains:

Local government financial assistance	\$	116,280
Fund raising activities		77,745
Interest income		1,230
Donations		58
Other revenue		159,784
Total Unrestricted Revenues and Gains		355,097

Net Assets Released From Restrictions:

Satisfaction of program restrictions		23,431,872
Total Unrestricted Revenues, Gains and Other Support		23,786,969

Expenses:

Programs:

Head Start		16,058,889
Child and Adult Care Food Program		1,309,926
Special Programs for the Aging, Title III, Part C, Nutrition Services		186,506
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		57,106
Temporary Assistance for Needy Families		240,099
Low-Income Home Energy Assistance Program		2,059,474
Community Services Block Grant		1,436,609
Retired and Senior Volunteer Program		96,232
Federal Transit Capital Investment Grant and Formula Grants for Other Than Urbanized Areas		437,017
Supportive Housing Program		35,555
Fund raising activities		42,385
Other services		196,654
General and administrative		1,566,897
Total Expenses		23,723,349

Increase in Unrestricted Net Assets	\$	63,620
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See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities (Continued)
Year Ended September 30, 2009

Changes in Temporarily Restricted Net Assets:	
Federal grants/contracts	\$ 17,924,433
State grants/contracts	9,684
Other grants/contracts	118,991
Program income	20,899
Interest income	66
In-kind contributions	5,328,879
United Way funds	24,586
Other revenue	12,877
Net Assets Released From Restrictions:	
Satisfaction of program restrictions	(23,431,872)
Increase in Temporarily Restricted Net Assets	<u>8,543</u>
Changes in Permanently Restricted Net Assets:	
Capital asset additions	212,508
Capital asset disposals	(485,041)
Decrease in Permanently Restricted Net Assets	<u>(272,533)</u>
Decrease in Net Assets	(200,370)
Net Assets Beginning of Year	<u>7,819,079</u>
Net Assets End of Year	<u><u>\$ 7,618,709</u></u>

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Cash Flows
Year Ended September 30, 2009

Cash Flows From Operating Activities:	
Change in net assets	\$ (<u>200,370</u>)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	24,449
Disposal of capital assets	487,233
Increase in grant/contract funds receivable	(2,731,646)
Increase in accounts receivable-other	(1,376)
Decrease in prepaid expenses	145,931
Increase in accounts payable	261,122
Decrease in deferred revenue	(44,934)
Increase in accrued liabilities	124,899
Increase in unobligated Head Start funds	<u>2,140,066</u>
Total Adjustments to Reconcile Change in Net Assets	<u>405,744</u>
Net Cash Provided from Operating Activities	205,374
Cash Flows From Investing Activities:	
Purchase of capital assets	<u>(236,523)</u>
Net Decrease in Cash	(31,149)
Cash at Beginning of Year	<u>497,698</u>
Cash at End of Year	<u>\$ 466,549</u>

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements
September 30, 2009

Note 1: Agency's History and Operating Structure

Hinds County Human Resource Agency was designated as a Community Action Agency of Hinds County, Mississippi, on November 10, 1975, as a nonprofit, no-share organization. The Agency was formed for the purpose of civic improvement and economic development of Hinds County. Hinds County Human Resource Agency is funded by contributions from local government entities within its service area, federal and state funded grant awards, contractual services rendered on a cost reimbursement basis to local government entities, and other contractual services which comply with the Agency's purpose.

The Board of Directors consists of fifteen (15) members. Membership consists of five (5) public sector, five (5) poor sector, and five (5) private sector directors. The public sector directors are appointed by the Supervisors of Hinds County Districts. Directors of the poor sector consist of one (1) elected individual from each of the five Supervisory Districts of Hinds County. The Board of Directors selects organizations to represent the private sector that are concerned with business, industry, labor, religion, welfare, education, civic, professional, significant minority groups or other community interests which do not receive tax dollars to defer the cost of their operations. The organization selected chooses the person to represent it on the Board of Directors. There shall always be allocated to the Hinds County Project Head Start Policy Council one (1) seat on the Board of Directors representing the private sector that will serve as the Boards Liaison to the Public Council.

The Agency is exempt from corporate income taxes granted by the Internal Revenue Service (IRS) under Section 501(c)(3) of the Internal Revenue Code of 1986. The State of Mississippi income tax laws recognize Hinds County Human Resource Agency as a tax-exempt organization for Mississippi income tax purposes.

Note 2: Summary of Significant Accounting Principles

Basis of Accounting - The financial statements of Hinds County Human Resource Agency are presented on the accrual basis of accounting.

Basis for Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Agency 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.

Cash and Cash Equivalents - For purposes of the statements of cash flows, Hinds County Human Resource Agency considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2009

Note 2: Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets are recorded at cost when purchased and are classified as either unrestricted or permanently restricted depending on the source of the funds used to purchase the assets.

Permanently Restricted Capital Assets - Capital assets are classified as permanently restricted when the assets are purchased with grant funds. The Agency expenses the assets when purchased and charges the program in which it is to be used. Since the cost of the assets are expensed, a memorandum entry is made to record the costs as a permanently restricted net asset. Permanently restricted capital assets are considered owned by the Agency, even though the federal and state government has a reversionary interest in the property and equipment. Dispositions and proceeds from dispositions are subject to regulations of the funding source.

Unrestricted Capital Assets - Capital assets are classified as unrestricted when the assets are purchased with nonfederal funds and are depreciated over their estimated useful lives using the straight-line method. These assets are considered owned by the Agency.

Grant and Contract Revenue - Grant and contract funds are recognized as revenue when expenses are incurred. Any excess receipts over allowable expenses are recognized as unexpended grant funds (liabilities) or deferred revenue, and any expenses in excess of receipts are recognized as funds receivable.

In-Kind Contributions - The Agency uses in-kind contributions to satisfy the cost sharing requirements of contracts, including the Department of Health and Human Services. The revenues and expenses resulting from these contributions are recorded in the accounting period received. The services and goods received are recorded at their fair market value.

Other Income - Revenues from these sources are recognized in the accounting period in which they are received.

Expense Allocation - Expenses are classified in two categories – direct and indirect. Direct expenses are charged to the grant or fund service incurring the expense. Indirect expenses consist of released time and fringe benefits and indirect costs that cannot be identified as directly benefiting a grant or fund source. These costs are pooled and allocated to the various grants and fund sources based on direct personnel compensation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2009

Note 3: Pension Plan

Hinds County Human Resource Agency employees are covered by a defined contribution money purchase plan. All employees who work thirty (30) hours or more each week are eligible to participate. The Agency contributes 10% of compensation for employees who were employed prior to January 1, 2000. For employees employed after January 1, 2000, the Agency contributes according to the following schedule:

Years of Service	Contribution Percentage
1 - 5	3%
6 - 10	5%
11 - Thereafter	10%

The cost of contributions incurred by the Agency totaled \$487,952 during the fiscal year ended September 30, 2009.

Note 4: Grant/Contract Funds Receivable

Grant/Contract funds receivable represent amounts due from various grants and contracts at September 30, 2009, as follows:

Supportive Housing Program	\$
Section 5311 Transportation	42,172
Special Programs for the Aging, Title III, Part C, Nutrition Services	2,982
Special Programs for the Aging, Title III, Part B	3,497
LIHEAP	508,181
CSBG	436,314
Head Start	8,156,540
Families First	16,738
Adolescent Offender	20,787
Social Services Block Grant	5,301
Retired and Senior Volunteer Program	15,590
Child and Adult Care Food Program	159,940
	\$ 9,368,042

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2009

Note 5: Capital Assets

The following is a summary of changes in capital assets:

	Balance 9/30/2008	Additions	Retirements	Balance 9/30/2009
Unrestricted Capital Assets:				
Buildings and equipment	\$ 257,804	23,836	(15,656)	\$ 265,984
Less: Accumulated Depreciation	(177,385)	(24,449)	13,643	(188,191)
Net Unrestricted Capital Assets	\$ 80,419	(613)	(2,013)	\$ 77,793
Permanently Restricted Capital Assets:				
Buildings and equipment	\$ 6,712,877	212,687	(485,220)	\$ 6,440,344
Total Capital Assets	\$ 6,793,296	212,074	(487,233)	\$ 6,518,137

Depreciation of nonfederal capital assets for the year ended September 30, 2009, totaled \$24,499.

Note 6: Deferred Revenue

Deferred revenue represents grant funds received that are not expended in the current year and may be expended in the subsequent year. These funds are as follows:

MS ROMA	\$ 54,169
EITC Activity	10,055
EHS Model Classroom	2,398
Congregate Meals	1,972
	\$ 68,594

Note 7: Unobligated Head Start Funds

At September 30, 2009, the Agency had unobligated Head Start funds as follows:

Contract Number	Amount
04YC0705/05	\$ 102
04CH3194/36	74
04CH3194/37	9,387
04CH3194/38	309,323
04CH3194/39	578,700
04CH3194/40	379,888
04CH3194/41	331,421
04CH3194/42	405,023
04CH3194/43	4,562,206
04SE3194/01	995,939
	\$ 7,572,063

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2009

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are assets of the Agency which are restricted by the funding source and the restrictions either expire by passage of time or can be fulfilled and removed by actions of the Agency. As of September 30, 2009, temporarily restricted net assets consisted of the following:

Section 5311 Rural Transportation Program	\$ 16,693
LIHEAP Refunds	60,406
Economic Development	41,164
HCPHS Program Support	16,707
Whiterock	<u>38,213</u>
	<u>\$ 173,183</u>

Note 9: Permanently Restricted Net Assets

Permanently restricted net assets are assets of the Agency which are restricted by the funding source and the restrictions neither expire by passage of time nor can be fulfilled or removed by the actions of the Agency. As of September 30, 2009, permanently restricted net assets consisted of the cost of capital assets purchased with grant funds in the amount of \$6,440,343.

Note 10: Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency purchases coverage of risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters from various commercial insurance carriers. During the year, the Agency purchased coverage of risks of loss related to workers' compensation claims from Bridgefield Casualty Insurance Company.

Under Governmental Accounting Standards Board Statement Number 10: *Accounting and Financial Reporting for Risks Financial and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report; there were no known claims above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters at September 30, 2009; therefore, no liability has been accrued at this time.

Note 11: Concentrations of Credit Risk

Hinds County Human Resource Agency is a nonprofit agency that administers grants. A substantial portion of the Agency's revenues is dependent upon funding from federal and state agencies.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2009

Note 12: Departures From Generally Accepted Accounting Principles

Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* states that contributions of services are recognized only if the services received require specialized skills. Hinds County Human Resource Agency has recorded contributions of services requiring non-specialized skills as required by the funding agencies. Contributions of services received were used for Head Start and consisted of volunteer personnel to help carry out program objectives. The effects on the financial statements from the practice are that revenues and expenses are both increased by \$3,878,670.

Note 13: Operating Leases

Hinds County Human Resource Agency leases real property and equipment from various sources with noncancelable lease terms in excess of one year. A description of operating leases is as follows:

Head Start Facilities - The Agency leases two facilities used for educational purposes. Both leases commenced on September 1, 2003, and will end on December 31, 2013. The Agency also leases a warehouse with a lease term commencing on August 1, 2009 and ending on August 31, 2019.

Office Building - The Agency leases an office building for a term of thirty-six (36) months beginning on February 1, 2009, and ending on January 31, 2011.

Office Equipment - The Agency leases numerous copiers with lease terms of thirty-six (36) to sixty (60) months.

A schedule of future minimum rental payments are as follows:

2010	\$	213,775
2011		103,691
2012		57,182
2013		54,480
2014		26,895
Thereafter		87,425
		87,425
	\$	543,448

For the fiscal year ended September 30, 2009, the Agency incurred rental expenses totaling \$296,281.



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Independent Auditors' Report on Supplemental Financial Information

The Board of Directors
Hinds County Human Resource Agency
Jackson, Mississippi

Our report on our audit of the financial statements of Hinds County Human Resource Agency, a nonprofit organization, as of September 30, 2009, appears on pages 1 and 2. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Eupora, Mississippi
March 8, 2010

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Department of Agriculture:			
Passed Through State of Mississippi: Child and Adult Care Food Program	* 10.558	V0000324790	\$ <u>1,386,426</u>
Passed Through Central Mississippi Planning and Development District:			
Commodity Supplement Food Program	10.565	379J88	16,240
Commodity Supplement Food Program	10.565	379J88A	5,816
Commodity Supplement Food Program	10.565	378J88	<u>4,597</u>
Total Commodity Supplement Food Program			<u>26,653</u>
Total Department of Agriculture			<u>1,413,079</u>
Department of Housing and Urban Development:			
Direct Programs:			
Supportive Housing Program	14.235	MS26B700007	<u>32,465</u>
Department of Transportation:			
Passed Through State of Mississippi:			
Federal Transit Capital Investment Grants	20.500	N/A	115,812
Formula Grants for Other Than Urbanized Areas	20.509	502035	<u>193,008</u>
Total Department of Transportation			<u>308,820</u>
Department of Health and Human Services:			
Passed Through Central Mississippi Planning and Development District:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	377J88	<u>33,456</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	378J88	32,403
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	379J88	<u>71,358</u>
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			\$ <u>103,761</u>

* Denotes major program.

See accompanying note to schedule of expenditures of federal awards.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Department of Health and Human Services (Continued):			
Passed Through State of Mississippi:			
Temporary Assistance for Needy Families	93.558	660W191	\$ 130,361
Temporary Assistance for Needy Families	93.558	660WL81	32,787
Temporary Assistance for Needy Families	93.558	660WL91	103,228
Total Temporary Assistance for Needy Families			266,376
Low-Income Home Energy Assistance	93.568	660L181L	1,870,181
Low-Income Home Energy Assistance	93.568	660L191L	209,424
Total Low-Income Home Energy Assistance			2,079,605
Passed Through Central Mississippi Planning and Development District:			
ARRA - Social Services Block Grant	93.707	379J88A	27,404
Passed Through State of Mississippi:			
Community Services Block Grant	* 93.569	660N181N	421,150
Community Services Block Grant	* 93.569	660N191N	794,932
ARRA - Community Services Block Grant	* 93.710	660AR291AP	192,382
Total Community Services Block Grant			1,408,464
Direct Program:			
Head Start	* 93.600	04CH3194/42	3,418,079
Head Start	* 93.600	04CH3194/43	8,767,857
Head Start	* 93.708	04SE3194/01	17,887
Total Head Start			12,203,823
Total Department of Health and Human Services			16,122,889
Corporation for National and Community Service:			
Passed Through State of Mississippi:			
Retired and Senior Volunteer Program	94.002	08SR081851	8,384
Retired and Senior Volunteer Program	94.002	09SRSM5001	38,796
Total Retired and Senior Volunteer Program			47,180
Total Federal Expenditures			\$ 17,924,433

* Denotes major program.

See accompanying note to schedule of expenditures of federal awards.

HINDS COUNTY HUMAN RESOURCE AGENCY
Note to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2009

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hinds County Human Resource Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.



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**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
 Hinds County Human Resource Agency
 Jackson, Mississippi

We have audited the financial statements of Hinds County Human Resource Agency (a nonprofit organization) as of and for the year ended September 30, 2009, and have issued our report thereon dated March 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hinds County Human Resource Agency’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hinds County Human Resource Agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Agency’s financial statements that is more than inconsequential will not be prevented or detected by the Agency’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency’s internal control.

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

Compliance and Other Matters

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

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

Eupora, Mississippi
March 8, 2010

Watkins, Ward and Stafford, PLLC



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**Report on Compliance with Requirements
 Applicable to Each Major Program and Internal Control Over
 Compliance in Accordance with OMB Circular A-133**

Board of Directors
 Hinds County Human Resource Agency
 Jackson, Mississippi

Compliance

We have audited the compliance of Hinds County Human Resource Agency (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Hinds County Human Resource Agency’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hinds County Human Resource Agency’s management. Our responsibility is to express an opinion on Hinds County Human Resource Agency’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hinds County Human Resource Agency’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hinds County Human Resource Agency’s compliance with those requirements.

As described in item 2009-1 in the accompanying schedule of findings and questioned costs, Hinds County Human Resource Agency did not comply with requirements regarding medical and dental services that are applicable to its Head Start Program. Compliance with such requirements is necessary, in our opinion, for Hinds County Human Resource Agency to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Hinds County Human Resource Agency complied in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of Hinds County Human Resource Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hinds County Human Resource Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Hinds County Human Resource Agency's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eupora, Mississippi
March 8, 2010

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2009

In connection with our audit of the financial statements of Hinds County Human Resource Agency, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, the status of all prior year audit findings must be reported. Hinds County Human Resource Agency had no prior year audit findings.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs
September 30, 2009

Section 1: Summary of Auditors' Results

1. A qualified opinion was issued on the financial statements of Hinds County Human Resource Agency.
2. No control deficiencies were disclosed during the audit of the financial statements.
3. The audit did not disclose any findings of noncompliance that could be material to the financial statements.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. A qualified opinion was issued on compliance for major programs.
6. The audit disclosed one audit finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The major programs were Head Start (CFDA #93.600 and 93.708), Community Service Block Grant (CFDA #93.569 and 93.710), and Child and Adult Care Food Program (CFDA #10.558).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$537,733.
9. The auditee qualified as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with GAGAS

None

Section 3: Findings for Federal Awards

2009-1 Department of Health and Human Service's Head Start Program – Grant 04CH3194/42 and 04CH3194/43 – CFDA # 93.600

Criteria: 45 CR Section 1304.20(c) (5) states that Early Head Start and Head Start funds may be used for professional medical and dental services when no other funding is available. When Early Head Start and Head Start funds are used for such services, grantee agencies must have written documentation of their efforts to access other available sources of funding.

Condition: During the year, Hinds County Human Resource Agency contracted with professionals to provide medical services who were not eligible to bill Medicaid, CHIPS, and other commercial insurance carriers for their services. If the Agency had contracted with medical professionals that had these billing capabilities, the cost would not have been incurred by the Head Start Program. The Agency had no written documentation supporting their efforts to only contract with medical professionals that are eligible to bill Medicaid, CHIPS, and other commercial insurance carriers.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs (Continued)
September 30, 2009

Section 3: Findings for Federal Awards (Continued)

Recommendation: We recommend Hinds County Human Resource Agency attempt to contract with medical and dental professionals that are eligible to bill Medicaid, CHIPS, and other commercial insurance carriers for services they provide. If the Agency is unable to contract with medical and dental professionals that are eligible to bill Medicaid, CHIPS, and other commercial insurances, the Agency's efforts should be documented in writing.

Response: Hinds County Human Resource Agency has aggressively sought medical providers that were competent professionals to provide medical services for its Head Start component. Some of the medical providers were not able to bill CHIPS, Medicaid, and other commercial insurances for fees that would supplement head start payments.

The Agency will develop policies and procedures that will address the selection process for medical providers for the Head Start component and compliance with Head Start.