

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

**AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

HINDS COUNTY HUMAN RESOURCE AGENCY
Audited Financial Statements
September 30, 2015

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Independent Auditors' Report

To the Board of Directors of
Hinds County Human Resource Agency
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Hinds County Human Resource Agency (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 Hinds County Human Resource Agency as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 June 29, 2015, on our consideration of Hinds County Human Resource Agency'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 Hinds County Human Resource Agency's internal control over financial reporting and compliance.

Houston, Mississippi
June 29, 2016

Watkins Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Financial Position
September 30, 2015

Assets

Current Assets:

Cash	\$ 354,877
Investments	151,176
Grant/contract funds receivable	1,760,158
Other receivables	1,075
Prepaid expenses	34,573
Other	1,856
Total Current Assets	<u>2,303,715</u>

Capital Assets:

Property and equipment, net of accumulated depreciation of \$252,959	<u>92,465</u>
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Total Assets	<u>\$ 2,396,180</u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 366,961
Deferred revenue	78,701
Accrued liabilities	674,744
Total Current Liabilities	<u>1,120,406</u>

Net Assets:

Unrestricted	1,055,435
Temporarily restricted	<u>220,339</u>

Total Net Assets	<u>1,275,774</u>
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Total Liabilities and Net Assets	<u>\$ 2,396,180</u>
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The accompanying notes to financial statements are an integral part of these financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended September 30, 2015

Changes in Unrestricted Net Assets:

Unrestricted Revenues and Gains:

Local government financial assistance	\$	81,226
Fund raising activities		77,150
Interest income		8,027
Donations		4,500
Other revenue		28,571
Total Unrestricted Revenues and Gains		199,474

Net Assets Released From Restrictions:

Satisfaction of program restrictions		20,508,609
Total Unrestricted Revenues, Gains and Other Support		20,708,083

Expenses:

Programs:

Head Start		14,257,296
Child and Adult Care Food Program		1,323,180
Special Programs for the Aging, Title III, Part C, Nutrition Services		161,742
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		21,062
Low-Income Home Energy Assistance Program		1,599,336
Community Services Block Grant		767,520
Formula Grants for Other Than Urbanized Areas		262,330
Fund raising activities		31,237
Other services		240,514
General and administrative		2,019,457
Total Expenses		20,683,674

Increase in Unrestricted Net Assets	\$	24,409
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The accompanying notes to financial statements are an integral part of these financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended September 30, 2015

Changes in Temporarily Restricted Net Assets:	
Federal grants/contracts	\$ 19,317,169
State grants/contracts	17,704
Other grants/contracts	236,400
Program income	9,158
In-kind contributions	923,625
Other	5,852
Net Assets Released From Restrictions:	
Satisfaction of program restrictions	(20,508,609)
Increase in Temporarily Restricted Net Assets	<u>1,299</u>
Increase in Net Assets	25,708
Net Assets Beginning of Year	<u>1,250,066</u>
Net Assets End of Year	<u><u>\$ 1,275,774</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Functional Expenses
Year Ended September 30, 2015

	Head Start	Child and Adult Care Food Program	Special Program for the Aging, Title III, Part C Nutrition Services	Special Program for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	Low-Income Home Energy Assistance Program	Community Services Block Grant
Personnel	\$ 7,026,674	410,492	20,806	-	84,713	227,310
Fringe benefits	2,223,197	157,650	7,044	-	28,426	71,455
Travel	48,520	190	685	-	1,270	2,562
Contractual	691,182	82,343	-	-	-	5,389
Equipment rental	46,541	22,408	-	-	-	7,056
Repairs and maintenance	381,341	28,116	-	-	-	8,999
Vehicle expenses	147,184	-	1,726	-	-	1,885
Insurance	127,281	-	-	-	-	6,292
Supplies	629,100	47,779	-	-	9,499	8,592
Telephone	105,881	-	-	-	-	17,773
Space/utilities	526,949	-	-	-	-	55,080
Client Assistance	2,120	-	11,650	21,062	1,473,844	247,066
Food & Delivery	194,007	573,977	97,289	-	-	-
In-kind expenses	862,330	-	-	-	-	86,400
Equip. & Bldg purchases	765,206	-	-	-	1,584	6,475
Depreciation	-	-	-	-	-	-
Other	479,783	225	22,542	-	-	15,186
Unrealized Loss on Investment	-	-	-	-	-	-
Total Expenses Before Indirect Expenses	14,257,296	1,323,180	161,742	21,062	1,599,336	767,520
Indirect expenses	1,819,792	86,567	5,222	-	22,232	56,084
Total Functional Expenses	\$ 16,077,088	1,409,747	166,964	21,062	1,621,568	823,604

The accompanying notes to financial statements are an integral part of these financial statements.

Formula Grants for Other Than Urbanized Areas	Fund Raising Activities	Other Services	Total Program Expenses	General and Admini- strative	Total Expenses
115,176	2,601	-	7,887,772	1,077,034	\$ 8,964,806
47,354	794	-	2,535,920	274,133	2,810,053
74	112	159	53,572	18,414	71,986
-	250	5,917	785,081	193,905	978,986
-	-	-	76,005	72,134	148,139
-	-	15,000	433,456	45,815	479,271
56,879	-	113	207,787	-	207,787
29,232	-	1,918	164,723	18,214	182,937
2,126	1,659	45	698,800	51,065	749,865
106	-	-	123,760	21,495	145,255
1,682	-	-	583,711	125,962	709,673
-	-	157,501	1,913,243	-	1,913,243
-	-	-	865,273	-	865,273
-	-	-	948,730	-	948,730
2,981	-	-	776,246	9,136	785,382
-	-	-	-	23,606	23,606
6,720	25,821	49,267	599,544	88,544	688,088
-	-	10,594	10,594	-	10,594
262,330	31,237	240,514	18,664,217	2,019,457	20,683,674
28,909	651	-	2,019,457	(2,019,457)	-
291,239	31,888	240,514	20,683,674	-	\$ 20,683,674

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Cash Flows
Year Ended September 30, 2015

Cash Flows From Operating Activities:

Increase in net assets \$ 25,708

Adjustments to Reconcile Increase in Net Assets to Net Cash

Provided by Operating Activities:

Depreciation	23,606
Loss on fixed asset disposal	655
Decrease in investments	3,512
Increase in grant/contract funds receivable	(207,826)
Decrease in other receivables	31,559
Decrease in prepaid expenses	20,213
Decrease in utility and security deposits	299
Increase in accounts payable	21,487
Increase in deferred revenue	70,797
Decrease in accrued liabilities	<u>(68,341)</u>

Total Adjustments to Reconcile Change in Net Assets (104,039)

Net Cash Used for Operating Activities (78,331)

Cash Flows From Investing Activities:

Purchase of capital assets (9,136)

Net Decrease in Cash (87,467)

Cash and Cash Equivalents at Beginning of Year 442,344

Cash and Cash Equivalents at End of Year \$ 354,877

The accompanying notes to financial statements are an integral part of these financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

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 Board's 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. 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 Policies

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

b. Basis for Presentation – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified in three categories of net assets, as applicable, and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor restrictions. Unrestricted net assets may also include discretionary designations made by the board of directors.

Temporarily restricted net assets – Net assets subject to donor imposed restrictions that may or will be met, either by actions of the board of directors and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor restrictions that require the principal contribution be maintained by the Agency with the income earned on any related investments being distributed in accordance with donor imposed restrictions.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

c. 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.

d. Investments in Equity Securities – Investment in equity securities are carried at fair value. Fair value is based on quoted market prices with interest, dividends, and gains and losses, both realized and unrealized, on investment in equity securities included in revenues and gains when earned.

e. Capital Assets - Capital assets purchased with unrestricted funds are recorded at cost when purchased and depreciated over their estimated useful lives.

In accordance with FASB ASC 958-360-50-3 and 50-4, property and equipment purchased with grant funds are expensed when purchased and not recorded on the statement of financial position because reversionary title is held by grantor.

f. 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.

g. 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 accordance with FASB ASC 958-605-25-16.

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

i. 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.

j. 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

Note 3: Investments

Hinds County Human Resource Agency has funds invested in various mutual funds and face amount certificates with Ameriprise Financial Services, Inc. These investments are summarized below:

	Cost	Market
Mutual funds	\$ 134,208	\$ 137,492
Face amount certificate	13,624	13,684
	\$ 147,832	\$ 151,176

Note 4: Fair Value of Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. In the absence of actively quoted prices and observable inputs, estimated prices are based on available historical data and near term pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities.
- Level 2 – Observable market based inputs or unobservable inputs corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

Fair value of assets measured on a recurring basis at December 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 137,492	\$ -	\$ -	\$ 137,492
Face amount certificate	13,684	-	-	13,684
	\$ 151,176	\$ -	\$ -	\$ 151,176

Mutual funds – fair value of mutual funds is determined by reference to quoted market prices and other relevant information generated by market transactions.

Face amount certificates – fair value of face amount certificates is estimated to be at face value of the certificate.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

Note 5: Grant/Contract Funds Receivable

Grant/Contract funds receivable represent amounts due from various grants and contracts at September 30, 2015, as follows:

Section 5311 Transportation	\$ 69,782
Special Programs for the Aging, Title III, Part C, Nutrition Services	11,793
Special Programs for the Aging, Title III, Part B	3,553
Low-Income Home Energy Assistance	140,949
Head Start	1,353,908
Child and Adult Care Food Program	<u>180,173</u>
	<u>\$ 1,760,158</u>

Note 6: Capital Assets

The following is a summary of changes in capital assets:

	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015
Buildings and equipment	\$ 339,008	9,136	(2,720)	\$ 345,424
Less: Accumulated Depreciation	<u>(231,418)</u>	<u>(23,606)</u>	<u>2,065</u>	<u>(252,959)</u>
Net Unrestricted Capital Assets	<u>\$ 107,590</u>	<u>(14,470)</u>	<u>(655)</u>	<u>\$ 92,465</u>

Depreciation of capital assets for the year ended September 30, 2015, totaled \$23,606.

The Agency has property and equipment with a cost totaling \$9,139,377 that is used in operations but not recorded on the statement of financial position because reversionary title is held by grantors.

Note 7: 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:

Atmos Share the Warmth	\$ 4,822
City of Jackson Emergency Assistance	17,499
Community Services Block Grant	<u>56,380</u>
	<u>\$ 78,701</u>

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

Note 8: Unobligated Head Start Funds

Head Start utilizes Payment Management System (PMS), an online based grants payment and cash management system that is fully automated to receive payment requests, edit them for accuracy and content, and transmit the payment to either the Federal Reserve Bank or the U.S. Treasury for deposit into the grantee's bank account. PMS has on deposit unexpended (unobligated) Head Start funds from previous and current Head Start grants which have not been reprogrammed by the funding source. Grantees do not have authority to spend unobligated Head Start funds associated with prior year contracts, nevertheless these funds remain in the PMS system as cash available for drawdown until the grant is either closed or reprogrammed. Hinds County Human Resource Agency does not record the unobligated funds or the cash balance in PMS on its financial statements but reconciles its financial records to PMS to ensure only funds from current year contracts are expended. As of September 30, 2015, unobligated Head Start funds are as follows:

<u>Contract Number</u>	
04CH3194/36	\$ 74
04CH3194/46	18,025
04CH3194/48	14,323
04CH3194/49	4,088,861
04SA3194/01	99,268
04SA3194/02	31,431
	<u>\$ 4,251,982</u>

Note 9: 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, 2015, temporarily restricted net assets consisted of the following:

Section 5311 Rural Transportation Program	\$ 18,547
LIHEAP Refunds	105,346
Economic Development	41,204
HCPHS Program Support	17,030
Whiterock	<u>38,212</u>
	<u>\$ 220,339</u>

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

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 CHARTIS.

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, 2015; 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.

The Agency has funds invested in various mutual funds and face amount certificates which are not collateralized.

Note 12: In-kind

FASB ASC 958-605-25-16 (formerly SFAS No. 116, paragraph 9) states that contributions of services are recognized only if the services received require specialized skills. For the year ended September 30, 2015, Hinds County Human Resource Agency received contributions of services requiring non-specialized skills totaling \$6,828,201. Contributions of non-specialized services were used for Head Start and consisted of volunteer personnel to help carry out program objectives. In accordance with FASB ASC 958-605-25-16, contributions of non-specialized skills are not recorded on the Agency's financial statements.

Note 13: Operating Leases

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

Head Start Facilities - The Agency leases a facility used for educational purposes with a lease term commencing on January 1, 2014, and will end on December 31, 2019. 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, 2014, and ending on January 31, 2017.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

Note 13 Operating Leases (continued)

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:

2016	\$	260,289
2017		94,896
2018		65,345
2019		59,405
2020		<u>36,780</u>
	\$	<u><u>516,714</u></u>

For the fiscal year ended September 30, 2015, the Agency incurred rental expenses totaling \$357,534

Note 14: Fundraising

The Agency conducts only occasional fundraising activities, usually for specific purposes. During this fiscal year the Agency received \$77,150 from those activities and expended \$31,888 from those activities.

Note 15: 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 \$452,713 during the fiscal year ended September 30, 2015.

Note 16: Compensated Absences

Employees of the District earn leave that accrues according to years of service and results in a liability which is recorded on the Statement of Financial Position. The liability accrued at September 30, 2015, totals \$36,462.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

Note 17: Uncertain Tax Position

Income taxes are not provided for in the financial statements since the Agency is exempt from federal and state income taxes under 501(c)(3) of the Internal Revenue Code and similar state provisions. The Agency is not classified as a private foundation. The Agency files its Form 990 annually with the Internal Revenue Service. The Agency believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Agency's Form 990, for the years ended September 30, 2012, 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Note 18: Subsequent Events

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of the Agency evaluated the activity of the Agency through June 29, 2016, and determined that there were no subsequent events that should be noted in the financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

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>1,409,747</u>
Passed Through Central Mississippi Planning and Development District:			
Commodity Supplement Food Program	10.565	121-93	14,306
Commodity Supplement Food Program	10.565	119-93	<u>3,932</u>
Total Commodity Supplement Food Program			<u>18,238</u>
Total Department of Agriculture			<u>1,427,985</u>
Department of Transportation:			
Passed Through State of Mississippi: Formula Grants for Other Than Urbanized Areas	20.509	502857	<u>163,513</u>
Total Department of Transportation			<u>163,513</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	107-93	<u>18,705</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	121-93	103,828
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	119-93	<u>38,472</u>
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>142,300</u>
Total Aging Cluster			<u>161,005</u>
Low-Income Home Energy Assistance	93.568	660L141LL	616,057
Low-Income Home Energy Assistance	93.568	660L151LL	<u>998,649</u>
Total Low-Income Home Energy Assistance			<u>1,614,706</u>
Community Services Block Grant	93.569	660N141NN	266,372
Community Services Block Grant	93.569	660N151NN	<u>471,182</u>
Total Community Services Block Grant			<u>737,554</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
Year Ended September 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Department of Health and Human Services (Continued):			
Direct Program:			
Head Start	*	93.600	4,651,069
Head Start	*	93.600	10,561,337
Total Head Start			15,212,406
 Total Department of Health and Human Services			 17,725,671
 Total Federal Expenditures			 \$ 19,317,169

* Denotes major program.

See accompanying notes to schedule of expenditures of federal awards.

HINDS COUNTY HUMAN RESOURCE AGENCY
Note to Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hinds County Human Resource Agency under programs of the federal government for the year ended September 30, 2015. 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*. Because the Schedule presents only a selected portion of the operations of Hinds County Human Resource Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hinds County Human Resource Agency.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Pass-through grantor identifying numbers are presented where available.



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

Independent Auditors’ 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, 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 Hinds County Human Resource Agency (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hinds County Human Resource Agency’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 Hinds County Human Resource Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Houston, Mississippi
June 29, 2016

Watkins Ward and Stafford, PLLC



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Independent Auditors’ Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
 Hinds County Human Resource Agency
 Jackson, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Hinds County Human Resource Agency’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hinds County Human Resource Agency’s major federal programs for the year ended September 30, 2015. Hinds County Human Resource Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of Hinds County Human Resource Agency’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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Hinds County Human Resource Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Hinds County Human Resource Agency 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 September 30, 2015.

Report on Internal Control Over Compliance

Management of Hinds County Human Resource Agency 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 Hinds County Human Resource Agency'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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Houston, Mississippi
June 29, 2016

Watkins Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2015

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 and are as follows:

2014-001 Head Start CFDA #93.600 contracts 04CH3194/47 and 04CH3194/48

Condition: The Agency's Head Start enrollment did not consist of at least 10% of children with disabilities.

Recommendation: Procedures should be designed and implemented to ensure not less than 10% of the Agency's Head Start enrollment consist of children with disabilities.

Status: On March 24, 2016, the Agency was approved for a disability waiver that was retroactively applied to the grants covered by this finding. Similar findings were not noted in the current year audit.

HINDS COUNTY HUMAN RESOURCE AGENCY
 Schedule of Findings and Questioned Cost
 Year Ended September 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 3. Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance
accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
10.558	Child and Adult Care Food Program

- | | |
|---|------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$ 579,515 |
| 9. Auditee qualified as low-risk auditee? (Yes/No) | Yes |

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Cost
Year Ended September 30, 2015

Section III: Federal Award Findings and Questioned Cost

The results of our tests did not disclose any findings related to federal awards.