

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

**AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

HINDS COUNTY HUMAN RESOURCE AGENCY

Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	6
Statement of Cash Flows	8
Notes to Financial Statements	9
Schedule of Expenditures of Federal Awards	17
Note to Schedule of Expenditures of Federal Awards	19
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 <i>Government Auditing Standards</i>	20
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	22
Summary Schedule of Prior Audit Findings	24
Schedule of Findings and Questioned Costs	25



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

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, 2017, 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, 2017, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2018, 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
May 7, 2018

Watkins Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Financial Position
September 30, 2017

Assets

Current Assets:

Cash	\$	418,539
Investments		189,536
Grant/contract funds receivable		1,434,226
Other receivables		146,148
Prepaid expenses		195,778
Other		1,186
Total Current Assets		2,385,413

Capital Assets:

Property and equipment, net of accumulated depreciation of \$272,945		71,849
--	--	--------

Total Assets	\$	2,457,262
---------------------	-----------	------------------

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$	543,853
Deferred revenue		5,683
Accrued liabilities		527,478
Due to grantor		943
Total Current Liabilities		1,077,957

Net Assets:

Unrestricted		1,159,989
Temporarily restricted		219,316

Total Net Assets		1,379,305
-------------------------	--	------------------

Total Liabilities and Net Assets	\$	2,457,262
---	-----------	------------------

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended September 30, 2017

Changes in Unrestricted Net Assets:

Unrestricted Revenues and Gains:

Local government financial assistance	\$	77,164
Fund raising activities		92,970
Interest income		20,390
Donations		6,374
Other revenue		6,795
Total Unrestricted Revenues and Gains		203,693

Net Assets Released From Restrictions:

Satisfaction of program restrictions		21,402,240
Total Unrestricted Revenues, Gains and Other Support		21,605,933

Expenses:

Programs:

Head Start		14,412,902
Child and Adult Care Food Program		1,322,833
Special Programs for the Aging, Title III, Part C, Nutrition Services		165,249
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		41,103
Low-Income Home Energy Assistance Program		1,783,579
Community Services Block Grant		759,078
Formula Grants for Other Than Urbanized Areas		485,245
Fund raising activities		53,361
Other services		242,294
General and administrative		2,293,099
Total Expenses		21,558,743

Increase in Unrestricted Net Assets	\$	47,190
--	-----------	---------------

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, 2017

Changes in Temporarily Restricted Net Assets:	
Federal grants/contracts	\$ 20,048,144
State grants/contracts	52,023
Other grants/contracts	366,569
Program income	25,187
In-kind contributions	883,930
Other	26,104
Net Assets Released From Restrictions:	
Satisfaction of program restrictions	<u>(21,402,240)</u>
Decrease in Temporarily Restricted Net Assets	<u>(283)</u>
Increase in Net Assets	46,907
Net Assets Beginning of Year	<u>1,332,398</u>
Net Assets End of Year	<u><u>\$ 1,379,305</u></u>

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

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Functional Expenses
Year Ended September 30, 2017

	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 Senior Centers	Low-Income Home Energy Assistance Program	Community Services Block Grant
Personnel	\$ 6,918,045	334,783	30,740	-	102,636	\$ 205,365
Fringe benefits	2,233,371	137,607	10,535	-	34,436	68,080
Travel	29,462	168	1,891	-	1,482	190
Contractual	590,031	400	-	-	-	5,308
Equipment rental	43,810	22,158	-	-	-	7,039
Repairs and maintenance	1,151,875	22,605	34	-	-	3,672
Vehicle expenses	126,810	-	1,266	-	-	3,885
Insurance	145,822	-	-	-	-	5,793
Supplies	368,494	52,703	-	-	10,919	10,610
Telephone	140,196	-	918	-	-	30,506
Space/utilities	394,547	-	-	-	-	39,713
Client Assistance	1,860	-	15,700	41,103	1,632,053	333,024
Food & Delivery	43,169	750,484	96,396	-	-	-
In-kind expenses	862,330	-	-	-	-	21,600
Equip. & Bldg purchases	681,721	-	-	-	595	3,175
Depreciation	-	-	-	-	-	-
Other	681,359	1,925	7,769	-	1,458	21,118
Total Expenses Before Indirect Expenses	14,412,902	1,322,833	165,249	41,103	1,783,579	759,078
Indirect expenses	2,029,756	114,977	8,900	-	29,794	59,632
Total Functional Expenses	\$ 16,442,658	1,437,810	174,149	41,103	1,813,373	\$ 818,710

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, 2017

	Formula Grants for Other Than Urbanized Areas	Fund Raising Activities	Other Services	Total Program Expenses	General and Admini- strative	Total Expenses
Personnel	\$ 163,897	1,692	6,946	7,764,104	1,216,635	\$ 8,980,739
Fringe benefits	73,863	518	2,320	2,560,730	319,167	2,879,897
Travel	157	166	648	34,164	19,088	53,252
Contractual	16,324	3,280	19,491	634,834	253,765	888,599
Equipment rental	-	-	3,402	76,409	81,162	157,571
Repairs and maintenance	-	-	-	1,178,186	13,900	1,192,086
Vehicle expenses	123,997	-	-	255,958	-	255,958
Insurance	40,726	-	2,330	194,671	7,645	202,316
Supplies	1,535	2,956	2,013	449,230	94,701	543,931
Telephone	1,002	-	-	172,622	49,696	222,318
Space/utilities	1,624	-	1,441	437,325	114,624	551,949
Client Assistance	-	-	145,148	2,168,888	-	2,168,888
Food & Delivery	-	-	-	890,049	-	890,049
In-kind expenses	-	-	-	883,930	-	883,930
Equip. & Bldg purchases	52,292	-	-	737,783	-	737,783
Depreciation	-	-	-	-	20,416	20,416
Other	9,828	44,749	58,555	826,761	102,300	929,061
Total Expenses Before Indirect Expenses	485,245	53,361	242,294	19,265,644	2,293,099	21,558,743
Indirect expenses	47,528	489	2,023	2,293,099	(2,293,099)	-
Total Functional Expenses	\$ 532,773	53,850	244,317	21,558,743	-	\$ 21,558,743

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

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Cash Flows
Year Ended September 30, 2017

Cash Flows From Operating Activities:

Increase in net assets \$ 46,907

Adjustments to Reconcile Increase in Net Assets to Net Cash

Provided by Operating Activities:

Depreciation	20,416
Loss on fixed asset disposal	61
Increase in investments	(23,669)
Increase in grant/contract funds receivable	(195,133)
Decrease in other receivables	138,150
Increase in prepaid expenses	(176,972)
Decrease in utility and security deposits	5,826
Increase in accounts payable	44,696
Increase in deferred revenue	991
Increase in accrued liabilities	<u>215,888</u>

Total Adjustments to Reconcile Change in Net Assets 30,254

Net Cash Provided by Operating Activities 77,161

Cash Flows From Investing Activities:

Purchase of capital assets (14,284)

Net Increase in Cash 62,877

Cash at Beginning of Year 355,662

Cash at End of Year \$ 418,539

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	\$ 142,729	\$ 175,583
Face amount certificate	13,953	13,953
	\$ 156,682	\$ 189,536

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, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 175,583	\$ -	\$ -	\$ 175,583
Face amount certificate	13,953	-	-	13,953
	\$ 189,536	\$ -	\$ -	\$ 189,536

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, 2017, as follows:

Section 5311 Transportation	\$ 127,645
Transportation Program	995
Special Programs for the Aging, Title III, Part C, Nutrition Services	15,822
Special Programs for the Aging, Title III, Part B	10,770
Low-Income Home Energy Assistance	209,133
Community Services Block Grant	73,513
Head Start	825,887
Child and Adult Care Food Program	<u>170,461</u>
	<u>\$ 1,434,226</u>

Note 6: Capital Assets

The following is a summary of changes in capital assets:

	<u>Balance</u> <u>9/30/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2017</u>
Buildings and equipment	\$ 344,060	17,802	(17,068)	\$ 344,794
Less: Accumulated Depreciation	<u>(269,536)</u>	<u>(20,416)</u>	<u>17,007</u>	<u>(272,945)</u>
Net Unrestricted Capital Assets	<u>\$ 74,524</u>	<u>(2,614)</u>	<u>(61)</u>	<u>\$ 71,849</u>

Depreciation of capital assets for the year ended September 30, 2017, totaled \$20,416.

The Agency has property and equipment with a cost totaling \$9,612,591 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	\$ <u>5,683</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, 2017, unobligated Head Start funds were as follows:

Contract Number		
04CH3194/36	\$	74
04CH3194/46		18,025
04CH3194/48		14,323
04CH3194/49		67,689
04CH01042501		27,240
04CH01042502		4,660,796
04SA3194/01		99,268
04SA3194/02		31,431
	\$	4,918,846

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, 2017, temporarily restricted net assets consisted of the following:

Section 5311 Rural Transportation Program	\$ 21,123
LIHEAP Refunds	105,791
Economic Development	41,204
HCPHS Program Support	12,986
Whiterock	38,212
	\$ 219,316

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, 2017; therefore, no liability was accrued at year end.

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.

As of September 30, 2017, the carrying amount of the agency's deposits with financial institutions reported was \$418,539 and the bank balance was \$923,979.

Custodial risk is defined as the risk that, in the event of the failure of a financial institution, the agency will not be able to recover deposits or collateral securities that are in the possession of an outside party. The agency does not have a deposit policy for custodial credit risk. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the agency. As of September 30, 2017, none of the agency's bank balance of \$923,979 was exposed to custodial credit risk.

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, 2017, Hinds County Human Resource Agency received contributions of services requiring non-specialized skills totaling \$8,993,053. 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.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to 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 with some buildings being extended until December 31, 2024. 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 ended on January 31, 2017. It was renewed on February 1, 2017 and ending on January 31, 2020.

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:

2018		\$ 333,592
2019		308,038
2020		126,060
2021		<u>51,906</u>
		<u>\$ 819,596</u>

For the fiscal year ended September 30, 2017, the Agency incurred rental expenses totaling \$377,293.

Note 14: Fundraising

The Agency conducts only occasional fundraising activities, usually for specific purposes. During this fiscal year the Agency received \$92,970 from those activities and expended \$53,850 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 \$427,527 during the fiscal year ended September 30, 2017.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements

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, 2017, totals \$42,248.

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, 2014, 2015, 2016, and 2017 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 May 7, 2018, 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, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed to Sub- Recipients</u>	<u>Federal Expenditures</u>
Department of Agriculture:				
Passed Through State of Mississippi: Child and Adult Care Food Program	10.558	V0000324790	\$ -	\$ 1,447,810
Passed Through Central Mississippi Planning and Development District:				
Commodity Supplement Food Program	10.565	121-93	-	19,472
Commodity Supplement Food Program	10.565	119-93	-	6,019
Total Commodity Supplement Food Program			-	25,491
Total Department of Agriculture			-	1,473,301
Department of Transportation:				
Passed Through State of Mississippi: Formula Grants for Other Than Urbanized Areas	20.509	502975	-	230,557
Total Department of Transportation			-	230,557
Department of Health and Human Services:				
Passed Through Central Mississippi Planning and Development District: Aging Cluster:				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1077-93	-	36,854
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	1197-93	-	104,288
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	1217-93	-	30,343
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			-	134,631
Total Aging Cluster			-	171,485
Low-Income Home Energy Assistance	93.568	660L161LL	-	98,147
Low-Income Home Energy Assistance	93.568	660L161LL	-	811,654
Low-Income Home Energy Assistance	93.568	660L171LL	-	903,036
Total Low-Income Home Energy Assistance			-	1,812,837
Community Services Block Grant	93.569	660N161NN	-	352,762
Community Services Block Grant	93.569	660N171NN	-	444,413
Total Community Services Block Grant			-	797,175

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed to Sub- Recipients</u>	<u>Federal Expenditures</u>
Department of Health and Human Services (Continued):				
Direct Program:				
Head Start	93.600	04CH319449	-	347,764
Head Start	93.600	04CH01042501	-	4,699,776
Head Start	93.600	04CH01042502	-	10,515,249
Total Head Start			<u>-</u>	<u>15,562,789</u>
Total Department of Health and Human Services			<u>-</u>	<u>18,344,286</u>
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 20,048,144</u>

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, 2017. The information in this schedule is presented in accordance with the 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). 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 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 to reimbursement.

Pass-through grantor identifying numbers are presented where available.

Note 3: Indirect Cost

Hinds County Human Resource Agency, Inc. utilizes a final indirect cost rate as defined by 2 CFR Part 200, Appendix IV.



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

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, 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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2018.

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 Agency’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
May 7, 2018

Watkins Ward and Stafford, PLLC



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

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

Independent Auditors’ Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of federal awards.

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 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 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, 2017.

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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houston, Mississippi
May 7, 2018

Watkins Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2017

In connection with our audit of the financial statements of Hinds County Human Resource Agency, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the status of all prior year audit findings must be reported. Hinds County Human Resource Agency did not have any prior year audit findings.

HINDS COUNTY HUMAN RESOURCE AGENCY
 Schedule of Findings and Questioned Cost
 Year Ended September 30, 2017

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
with 2 CFR section 200.515 (Yes/No) | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
93.568	Low-Income Home Energy Assistance Program

- | | |
|---|------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| 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, 2017

Section III: Federal Award Findings and Questioned Cost

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