

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

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2010**

HINDS COUNTY HUMAN RESOURCE AGENCY
Audited Financial Statements and Additional Information
September 30, 2010

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Independent Auditor's Report

Board of Directors
Hinds County Human Resource Agency
Jackson, Mississippi

We have audited the accompanying statement of financial position of Hinds County Human Resource Agency (a nonprofit organization) as of September 30, 2010, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Hinds County Human Resource Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As more fully described in Note 13 to the financial statements, the Agency has recorded contributions of services requiring non-specialized skills. In our opinion, contributions of services should be recognized only if the services received require specialized skills in accordance with FASB ASC 958-605-25-16 (formerly SFAS No. 116, paragraph 9). The effects on the financial statements of the preceding practice are that revenues and expenses are both increased by \$3,325,237.

In our opinion, except for the effects of recording contributions of services requiring non-specialized skills as discussed in the preceding paragraph, 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, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011, on our consideration of Hinds County Human Resource Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audit.

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 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the financial statements. Such information 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.

Eupora, Mississippi
March 23, 2011

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Financial Position
September 30, 2010

Assets

Current Assets:

Cash	\$	493,261
Investments		102,453
Grant/contract funds receivable		8,790,319
Other receivables		15,062
Prepaid expenses		18,674
Security deposits		<u>1,400</u>
Total Current Assets		<u>9,421,169</u>

Capital Assets:

Property and equipment, net of accumulated depreciation of \$194,853		<u>8,069,939</u>
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Total Assets	\$	<u><u>17,491,108</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$	741,909
Deferred revenue		73,049
Accrued liabilities		523,792
Unobligated Head Start funds		<u>6,899,707</u>
Total Current Liabilities		<u>8,238,457</u>

Net Assets:

Unrestricted		1,073,744
Temporarily restricted		183,496
Permanently restricted		<u>7,995,411</u>

Total Net Assets		<u>9,252,651</u>
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Total Liabilities and Net Assets	\$	<u><u>17,491,108</u></u>
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See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended September 30, 2010

Changes in Unrestricted Net Assets:

Unrestricted Revenues and Gains:	
Local government financial assistance	\$ 110,466
Fund raising activities	82,125
Interest income	10,338
Donations	95
Other revenue	36,056
Total Unrestricted Revenues and Gains	<u>239,080</u>

Net Assets Released From Restrictions:

Satisfaction of program restrictions	<u>27,450,804</u>
Total Unrestricted Revenues, Gains and Other Support	<u>27,689,884</u>

Expenses:

Programs:	
Head Start	18,293,816
Child and Adult Care Food Program	1,226,814
Special Programs for the Aging, Title III, Part C, Nutrition Services	83,097
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	42,512
Social Services Block Grant	80,429
Temporary Assistance for Needy Families	169,554
Low-Income Home Energy Assistance Program	3,187,540
Community Services Block Grant	1,906,507
Retired and Senior Volunteer Program	86,724
Federal Transit Capital Investment Grant and Formula Grants for Other Than Urbanized Areas	536,420
Fund raising activities	28,692
Other services	177,536
General and administrative	1,801,682
Total Expenses	<u>27,621,323</u>

Increase in Unrestricted Net Assets	\$ <u>68,561</u>
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See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities (Continued)
Year Ended September 30, 2010

Changes in Temporarily Restricted Net Assets:	
Federal grants/contracts	\$ 22,297,192
State grants/contracts	4,692
Other grants/contracts	87,470
Program income	17,584
In-kind contributions	4,906,093
United Way funds	22,419
Other revenue	125,667
Net Assets Released From Restrictions:	
Satisfaction of program restrictions	(27,450,804)
Increase in Temporarily Restricted Net Assets	<u>10,313</u>
Changes in Permanently Restricted Net Assets:	
Capital asset additions	1,950,886
Capital asset disposals	(395,819)
Increase in Permanently Restricted Net Assets	<u>1,555,067</u>
Increase in Net Assets	1,633,941
Net Assets Beginning of Year	<u>7,618,710</u>
Net Assets End of Year	<u>\$ 9,252,651</u>

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Functional Expenses
Year Ended September 30, 2010

	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	Social Services Block Grant	Temporary Assistance for Needy Families	Low-Income Home Energy Assistance Program	Community Services Block Grant	Retired and Senior Volunteer Program	Federal Transit and Capital Investment Grant and Formula Grants for Other Than Areas	Fund Raising Activities	Other Services	Total Program Expenses	General and Administrative	Total Expenses
Personnel	\$ 7,196,824	393,465	27,676	-	1,750	115,777	116,358	479,371	30,778	162,622	517	7,016	8,532,154	953,600	9,485,754
Fringe benefits	1,993,864	112,386	7,487	-	900	32,262	32,853	129,733	8,523	45,815	139	2,006	2,365,965	255,499	2,621,467
Travel	115,488	1,190	1,124	-	114	3,052	4,999	7,636	3,608	2,652	-	2,582	142,445	22,341	164,786
Contractual	708,241	19,938	-	-	-	720	-	55,279	-	-	1,374	53,639	638,188	141,708	980,897
Equipment rental	27,531	21,076	-	-	-	400	-	5,325	-	-	-	718	54,332	35,479	89,811
Repairs and maintenance	238,084	17,751	-	-	328	1,581	-	9,724	-	-	-	718	287,858	21,767	289,625
Vehicle expenses	116,406	-	41	-	-	3,144	-	7,957	584	76,102	-	1,284	197,305	197,305	150,977
Insurance	459,404	26,127	975	-	-	4,981	8,337	14,511	404	425	1,033	7,072	519,708	149,575	669,283
Telephone	82,681	-	-	-	-	4,222	-	54,801	204	77	-	10,548	120,164	14,504	134,668
Space/Utilities	462,808	-	-	-	-	1,276	3,024,912	993,821	-	1,446	-	8,618	527,874	98,827	626,501
Client Assistance	4,544	-	-	42,512	-	-	-	86,400	-	-	-	-	4,077,565	-	4,077,565
Food	-	632,388	42,389	-	65,114	-	-	86,400	42,623	-	-	-	739,891	-	4,806,093
In-kind expenses	4,777,070	-	-	-	-	-	-	5,330	-	217,157	-	-	1,820,239	-	1,820,239
Equip. & Bldg purchases	1,587,306	-	-	-	-	-	81	34,197	-	5,211	25,629	80,031	567,327	99,734	667,061
Other	423,417	2,495	3,405	-	12,223	719	-	-	-	-	-	-	-	-	-
Total Expenses, Before Indirect Expenses	18,293,816	1,226,814	83,097	42,512	80,429	168,554	3,187,540	1,906,507	86,724	536,420	28,692	177,536	25,819,841	1,801,682	27,621,323
Indirect expenses	1,526,903	80,271	5,715	-	361	23,909	24,715	98,312	6,396	33,584	107	1,449	1,801,882	(1,801,682)	-
Total Functional Expenses	\$ 19,820,719	1,307,085	88,812	42,512	80,790	193,463	3,212,255	2,004,819	93,080	570,004	28,799	178,985	27,621,323	-	\$ 27,621,323

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Cash Flows
Year Ended September 30, 2010

Cash Flows From Operating Activities:	
Change in net assets	\$ <u>1,633,941</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	18,526
Disposal of capital assets	395,986
Donation of partial cost of building	(130,647)
Decrease in grant/contract funds receivable	577,722
Decrease in accounts receivable-other	5,863
Increase in prepaid expenses	(18,675)
Decrease in utility and security deposits	100
Increase in accounts payable	84,535
Increase in deferred revenue	4,455
Increase in accrued liabilities	65,381
Decrease in unobligated Head Start funds	(672,356)
Total Adjustments to Reconcile Change in Net Assets	<u>330,890</u>
Net Cash Provided from Operating Activities	1,964,831
Cash Flows From Investing Activities:	
Purchase of capital assets	(1,835,667)
Net Increase in Cash	129,164
Cash at Beginning of Year	<u>466,550</u>
Cash at End of Year	<u><u>\$ 595,714</u></u>

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements
September 30, 2010

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 of 1986. The State of Mississippi income tax laws recognize Hinds County Human Resource Agency as a tax-exempt organization for Mississippi income tax purposes.

Note 2: Summary of Significant Accounting Policies

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

Basis for Presentation - Financial statement presentation follows FASB ASC 958 (formerly SFAS No. 117). Under FASB ASC 958, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2010

Note 2: Summary of Significant Accounting Policies (Continued)

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

Permanently Restricted Capital Assets - Capital assets are classified as permanently restricted when the assets are purchased with grant funds. The Agency expenses the assets when purchased and charges the program in which it is to be used. Since the cost of the assets are expensed, a memorandum entry is made to record the costs as a capital asset and permanently restricted net asset. No depreciation is recorded for permanently restricted capital assets. Permanently restricted capital assets are considered owned by the Agency, even though the federal and state government has a reversionary interest in the property and equipment. Dispositions and proceeds from dispositions are subject to regulations of the funding source.

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

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

Unobligated Head Start Funds - The Agency records the federal share of Head Start grants as revenue and grants receivable when the grant is approved and funds become available. At the end of the Agency's fiscal year, revenue is reduced by the amount of unexpended funds and unobligated Head Start funds (a liability) is credited.

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

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

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

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

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2010

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:

Mutual funds	\$	118,691
Face amount certificate		12,667
		131,358
Unrealized loss on investments		(28,905)
	\$	102,453

Note 4: 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 \$507,766 during the fiscal year ended September 30, 2010.

Note 5: Grant/Contract Funds Receivable

Grant/Contract funds receivable represent amounts due from various grants and contracts at September 30, 2010, as follows:

Congregate Meals - United Way	\$	922
Section 5311 Transportation		23,559
Special Programs for the Aging, Title III, Part C, Nutrition Services		2,635
Special Programs for the Aging, Title III, Part B		5,610
LIHEAP		640,813
CSBG		50,256
Head Start		7,900,488
Families First		3,714
Social Services Block Grant		3,200
Child and Adult Care Food Program		159,122
	\$	8,790,319

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2010

Note 6: Capital Assets

The following is a summary of changes in capital assets:

	Balance 9/30/2009	Additions	Retirements	Balance 9/30/2010
Unrestricted Capital Assets:				
Buildings and equipment	\$ 265,984	15,428	(12,031)	\$ 269,381
Less: Accumulated Depreciation	(188,191)	(18,526)	11,864	(194,853)
Net Unrestricted Capital Assets	<u>\$ 77,793</u>	<u>(3,098)</u>	<u>(167)</u>	<u>\$ 74,528</u>
Permanently Restricted Capital Assets:				
Buildings and equipment	-\$ 6,440,344	1,950,886	(395,819)	\$ 7,995,411
Total Capital Assets	<u>\$ 6,518,137</u>	<u>1,947,788</u>	<u>(395,986)</u>	<u>\$ 8,069,939</u>

Depreciation of nonfederal capital assets for the year ended September 30, 2010, totaled \$18,526.

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:

MS ROMA	\$ 45,505
Retired Senior Volunteer Program	3,541
EITC Activity	1,180
HCPHS - Program Support	12,224
EHS Model Classroom	2,399
Legal Services - MACAA	8,200
	<u>\$ 73,049</u>

Note 8: Unobligated Head Start Funds

Unobligated Head Start funds represents unexpended Head Start funds from previous and current Head Start grants which have not been reprogrammed by the funding source. As of September 30, 2010, unobligated Head Start funds are as follows:

<u>Contract Number</u>	<u>Amount</u>
04YC0705/05	\$ 102
04CH3194/36	74
04CH3194/37	9,387
04CH3194/38	309,323
04CH3194/39	7,487
04CH3194/40	2,260
04CH3194/42	105,022
04CH3194/43	600,622
04CH3194/44	4,738,518
04SE3194/01	160,551
04SE3194/02	966,361
	<u>\$ 6,899,707</u>

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2010

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, 2010, temporarily restricted net assets consisted of the following:

Section 5311 Rural Transportation Program	\$ 19,034
LIHEAP Refunds	68,378
Economic Development	41,164
HCPHS Program Support	16,707
Whiterock	38,213
	<u>\$ 183,496</u>

Note 10: Permanently Restricted Net Assets

Permanently restricted net assets are assets of the Agency which are restricted by the funding source and the restrictions neither expire by passage of time nor can be fulfilled or removed by the actions of the Agency. As of September 30, 2010, permanently restricted net assets consisted of the cost of capital assets purchased with grant funds in the amount of \$7,995,411.

Note 11: Risk Management

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

Under Governmental Accounting Standards Board Statement Number 10: *Accounting and Financial Reporting for Risks Financial and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters at September 30, 2010; therefore, no liability has been accrued at this time.

Note 12: 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.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2010

Note 13: Departures From Generally Accepted Accounting Principles

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. Hinds County Human Resource Agency has recorded contributions of services requiring non-specialized skills as required by the funding agencies. Contributions of services received were used for Head Start and consisted of volunteer personnel to help carry out program objectives. The effects on the financial statements from the practice are that revenues and expenses are both increased by \$3,325,237.

Note 14: Operating Leases

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

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

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

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

A schedule of future minimum rental payments are as follows:

2011	210,048
2012	129,151
2013	74,261
2014	33,558
2015	20,274
Thereafter	69,725
	<u>\$ 537,017</u>

For the fiscal year ended September 30, 2010, the Agency incurred rental expenses totaling \$295,090.

Note 15: Date of Management Review

Subsequent events were evaluated through March 23, 2011, which is the date the financial statements were available to be issued.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Department of Agriculture:			
Passed Through State of Mississippi: Child and Adult Care Food Program	10.558	V0000324790	\$ <u>1,307,084</u>
Passed Through Central Mississippi Planning and Development District:			
Commodity Supplement Food Program	10.565	379D88	13,825
Commodity Supplement Food Program	10.565	379K88A	4,555
Commodity Supplement Food Program	10.565	378K88	<u>4,278</u>
Total Commodity Supplement Food Program			<u>22,658</u>
Total Department of Agriculture			<u>1,329,742</u>
Department of Transportation:			
Passed Through State of Mississippi:			
ARRA-Federal Transit Capital Investment Grants	* 20.500	502208-33200	107,951
Federal Transit Capital Investment Grants	* 20.500	N/A	107,808
Formula Grants for Other Than Urbanized Areas	20.509	502196	<u>196,242</u>
Total Department of Transportation			<u>412,001</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	377K88	<u>28,748</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	378K88	31,352
ARRA-Special Programs for the Aging, Title III, Part C, Nutrition Services	93.705	379K88A	<u>19,662</u>
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			\$ <u>51,014</u>

* Denotes major program.

See accompanying note to schedule of expenditures of federal awards.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services (Continued):			
Passed Through State of Mississippi:			
Temporary Assistance for Needy Families	93.558	660W191	\$ 131,207
Temporary Assistance for Needy Families	93.558	660W101	66,263
Total Temporary Assistance for Needy Families			<u>197,470</u>
Low-Income Home Energy Assistance	93.568	660L191L	1,161,941
Low-Income Home Energy Assistance	93.568	660L101L	2,050,313
Total Low-Income Home Energy Assistance			<u>3,212,254</u>
Passed Through State of Mississippi:			
Community Services Block Grant	* 93.569	660N191N	200,604
Community Services Block Grant	* 93.569	660N101N	533,489
ARRA - Community Services Block Grant	* 93.710	660AR291AP	1,180,184
Total Community Services Block Grant			<u>1,914,277</u>
Direct Program:			
Head Start	* 93.600	04CH3194/43	3,961,584
Head Start	* 93.600	04CH3194/44	8,560,724
ARRA-Head Start	* 93.708	04SE3194/01	995,939
ARRA-Early Head Start	* 93.709	04SA3194/01	1,515,112
ARRA-Early Head Start	* 93.709	04SA3194/02	3,544
Total Head Start			<u>15,036,903</u>
Passed Through Central Mississippi Planning and Development District:			
Social Services Block Grant	93.667	396D88	64,326
Total Department of Health and Human Services			<u>20,504,992</u>
Corporation for National and Community Service:			
Passed Through State of Mississippi:			
Retired and Senior Volunteer Program	94.002	09SR091913	12,742
Retired and Senior Volunteer Program	94.002	10SR107967	37,715
Total Retired and Senior Volunteer Program			<u>50,457</u>
Total Federal Expenditures			<u>\$ 22,297,192</u>

* Denotes major program.

See accompanying note to schedule of expenditures of federal awards.

HINDS COUNTY HUMAN RESOURCE AGENCY
Note to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2010

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, 2010. 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.



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Professional Limited Liability Company
Certified Public Accountants

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**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Directors
Hinds County Human Resource Agency
Jackson, Mississippi

We have audited the financial statements of Hinds County Human Resource Agency (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued our report thereon dated March 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 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.

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

Compliance and Other Matters

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

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

Eupora, Mississippi
March 23, 2011

Watkins, Ward and Stafford, PLLC



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**Independent Auditor's Report on Compliance with Requirements
That Could Have a Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors
Hinds County Human Resource Agency
Jackson, Mississippi

Compliance

We have audited the compliance of Hinds County Human Resource Agency (a nonprofit organization) with the types of compliance requirements described in the *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, 2010. Hinds County Human Resource Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hinds County Human Resource Agency's management. Our responsibility is to express an opinion on Hinds County Human Resource Agency's compliance based on our audit.

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

In our opinion, Hinds County Human Resource Agency complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1.

Internal Control Over Compliance

The management of Hinds County Human Resource Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hinds County Human Resource Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hinds County Human Resource Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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

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

Eupora, Mississippi
March 23, 2011

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2010

2009-1

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

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

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

Status: The finding has been corrected and is not present in the current year.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs
September 30, 2010

Section 1: Summary of Auditor's Results

1. The auditor's report expresses a qualified opinion on the financial statements of Hinds County Human Resource Agency.
2. No deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Hinds County Human Resource Agency were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. Audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The major programs were Head Start (CFDA #93.600, 93.708 and 93.709), Community Service Block Grant (CFDA #93.569 and 93.710), and Federal Transit Capital Investment Grants (CFDA #20.500).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$668,916.
9. Hinds County Human Resource Agency was determined to be a high-risk auditee due to a prior year audit finding as noted in the summary schedule of prior audit findings on page 21.

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

None

Section 3: Findings for Federal Awards

2010-1 Head Start – CFDA # 93.600; Grant 04CH3194/43; Grant period – January 1, 2009-December 31, 2009

Head Start – CFDA # 93.600; Grant 04CH3194/44; Grant period – January 1, 2010-December 31, 2010

Condition: For the 2009-2010 school year, the Head Start program's enrollment did not include at least 10% of children with disabilities.

Criteria: 45 CFR 1305.6 states that the total number of children enrolled by each Head Start Agency must include not less than 10% of children with disabilities determined to be eligible for special education and related services unless a waiver is approved by the Administration of Children and Families (ACF).

Cause: Failure to obtain a waiver from ACF.

Effect: Noncompliance may result in a denial of refunding or termination in accordance with 45 CFR part 1303.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs (Continued)
September 30, 2010

Section 3: Findings for Federal Awards (Continued)

Recommendation: Hinds County Human Resource Agency should put forth a reasonable effort to enroll children with disabilities of at least 10% of total funded enrollment. If it is determined that an insufficient number of children with disabilities are available to participate in the Head Start program, a waiver should be requested from ACF.

Views of Responsible Officials and Planned Corrective Actions: Hinds County Human Resource Agency continues to make efforts to achieve the 10% enrollment requirement of children with disabilities. Local Education Agency Agreements with the three school districts, Jackson Public School District, Clinton Public School District and Hinds County School District are in effect to assist in this effort. Recruiting continues via radio announcements and flyers. The Agency has applied for a waiver of this requirement in accordance with established procedures.