

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

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2011**

HINDS COUNTY HUMAN RESOURCE AGENCY
Audited Financial Statements and Additional Information
September 30, 2011

Contents

	<u>Page</u>
Independent Auditor's Report.....	1-2
Statement of Financial position.....	3
Statement of Activities.....	4-5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8-14
Schedule of Expenditures of Federal Awards.....	15-16
Note to Schedule of Expenditures of Federal Awards.....	17
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>	18-19
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.....	20-21
Summary Schedule of Prior Audit Findings.....	22
Schedule of Findings and Questioned Costs.....	23



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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, 2011, 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 12 to the financial statements, the Agency has recorded contributions of services requiring non-specialized skills. In our opinion, contributions of services should be recognized only if the services received require specialized skills in accordance with 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 \$3,383,640.

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, 2011, 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 June 27, 2012 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 read in conjunction with this report in considering 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
June 27, 2012

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Financial Position
September 30, 2011

Assets

Current Assets:

Cash	\$	542,414
Investments		106,754
Grant/contract funds receivable		8,252,165
Other receivables		32,473
Prepaid expenses		661
Security deposits		1,400
Total Current Assets		<u>8,935,867</u>

Capital Assets:

Property and equipment, net of accumulated depreciation of \$204,592		<u>70,288</u>
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Total Assets	\$	<u><u>9,006,155</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$	593,953
Due to grantor		17,868
Deferred revenue		11,947
Accrued liabilities		544,479
Unobligated Head Start funds		6,577,199
Total Current Liabilities		<u>7,745,446</u>

Net Assets:

Unrestricted		1,058,944
Temporarily restricted		<u>201,765</u>

Total Net Assets		<u>1,260,709</u>
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Total Liabilities and Net Assets	\$	<u><u>9,006,155</u></u>
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HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended September 30, 2011

Changes in Unrestricted Net Assets:

Unrestricted Revenues and Gains:

Local government financial assistance	\$	95,000
Fund raising activities		58,660
Interest income		1,426
Investment income		4,301
Donations		1,898
Other revenue		19,351
Total Unrestricted Revenues and Gains		180,636

Net Assets Released From Restrictions:

Satisfaction of program restrictions		24,626,078
Total Unrestricted Revenues, Gains and Other Support		24,806,714

Expenses:

Programs:

Head Start		18,046,890
Child and Adult Care Food Program		1,269,792
Special Programs for the Aging, Title III, Part C, Nutrition Services		226,259
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		37,534
Temporary Assistance for Needy Families		42,035
Low-Income Home Energy Assistance Program		1,862,990
Community Services Block Grant		756,575
Retired and Senior Volunteer Program		96,595
Formula Grants for Other Than Urbanized Areas		286,359
Fund raising activities		22,459
Other services		176,661
General and administrative		1,997,366
Total Expenses		24,821,515

Decrease in Unrestricted Net Assets \$ (14,801)

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities (Continued)
Year Ended September 30, 2011

Changes in Temporarily Restricted Net Assets:

Federal grants/contracts	\$ 18,664,891
State grants/contracts	10,858
Other grants/contracts	109,573
Program income	16,637
In-kind contributions	5,737,640
United Way funds	10,328
Other revenue	94,421
Net Assets Released From Restrictions:	
Satisfaction of program restrictions	<u>(24,626,078)</u>
Increase in Temporarily Restricted Net Assets	<u>18,270</u>
Increase in Net Assets	3,469
Net Assets Beginning of Year	<u>1,257,240</u>
Net Assets End of Year	<u><u>\$ 1,260,709</u></u>

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Functional Expenses
Year Ended September 30, 2011

	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	Temporary Assistance for Needy Families	Low-Income Home Energy Assistance Program
Personnel	\$ 6,959,071	386,730	26,364	-	25,114	64,648
Fringe benefits	1,888,923	105,628	7,258	-	6,878	17,885
Travel	89,670	1,287	1,479	-	2,052	2,064
Contractual	542,205	16,905	-	-	360	-
Equipment rental	29,426	21,920	-	-	632	-
Repairs and maintenance	739,956	18,456	-	-	2,333	-
Vehicle expenses	135,370	-	-	-	34	-
Insurance	103,660	-	-	-	-	-
Supplies	417,289	42,979	-	-	1,237	8,400
Telephone	107,341	-	-	-	2,634	-
Space/utilities	625,015	-	-	-	-	-
Client Assistance	1,540	-	-	37,534	-	1,769,993
Food & Delivery	14,551	673,981	191,158	-	-	-
In-kind expenses	5,601,520	-	-	-	-	-
Equip. & Bldg purchases	524,632	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Other	266,721	1,906	-	-	761	-
Total Expenses Before Indirect Expenses	18,046,890	1,269,792	226,259	37,534	42,035	1,862,990
Indirect expenses	1,771,170	94,941	6,557	-	6,246	16,003
Total Functional Expenses	\$ 19,818,060	1,364,733	232,816	37,534	48,281	1,878,993

See accompanying notes to financial statements.

Community Services Block Grant	Retired and Senior Volunteer Program	Formula Grants for Other Than Urbanized Areas	Fund Raising Activities	Other Services	Total Program Expenses	General and Administrative	Total Expenses
244,141	33,875	133,473	111	-	7,873,527	1,092,819	\$ 8,966,346
65,699	9,273	36,473	29	-	2,138,046	286,728	2,424,774
8,575	2,602	3,492	-	-	111,221	14,247	125,468
15,597	-	-	1,580	107,126	683,773	167,266	851,039
6,588	-	-	-	-	58,566	45,399	103,965
4,038	-	76,523	-	2,121	843,427	43,485	886,912
-	-	-	-	-	135,404	-	135,404
7,587	609	27,514	-	1,758	141,128	16,048	157,176
11,645	212	1,335	446	546	484,089	95,814	579,903
21,859	204	132	-	6,186	138,356	20,063	158,419
58,002	-	1,516	-	8,935	693,468	105,604	799,072
203,654	-	-	-	11,925	2,024,646	-	2,024,646
-	-	-	-	220	879,910	-	879,910
86,400	49,720	-	-	-	5,737,640	-	5,737,640
360	-	1,329	-	25	526,346	-	526,346
-	-	-	-	-	-	23,457	23,457
22,430	100	4,572	20,293	37,819	354,602	86,436	441,038
756,575	96,595	286,359	22,459	176,661	22,824,149	1,997,366	24,821,515
60,794	8,425	33,202	28	-	1,997,366	(1,997,366)	-
817,369	105,020	319,561	22,487	176,661	24,821,515	-	\$ 24,821,515

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Cash Flows
Year Ended September 30, 2011

Cash Flows From Operating Activities:

Change in net assets \$ 3,469

Adjustments to Reconcile Change in Net Assets to Net Cash

Provided by Operating Activities:

Depreciation	23,457
Disposal of capital assets	121
Decrease in grant/contract funds receivable	538,154
Increase in accounts receivable-other	(17,411)
Decrease in prepaid expenses	18,014
Decrease in accounts payable	(147,956)
Increase in due to grantor	17,868
Decrease in deferred revenue	(61,102)
Increase in accrued liabilities	20,687
Decrease in unobligated Head Start funds	<u>(322,508)</u>

Total Adjustments to Reconcile Change in Net Assets 69,324

Net Cash Provided from Operating Activities 72,793

Cash Flows From Investing Activities:

Purchase of capital assets (19,339)

Net Increase in Cash 53,454

Cash at Beginning of Year 595,714

Cash at End of Year \$ 649,168

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements
September 30, 2011

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, 2011

Note 2: Summary of Significant Accounting Policies (Continued)

Investments in Equity Securities – Investment in equity securities are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investment in equity securities are included in revenues and gains when earned.

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 title is held by grantor.

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, 2011

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	\$	120,427
Face amount certificate		12,941
		133,368
Unrealized loss on investments		(26,614)
	\$	106,754

Note 4: Grant/Contract Funds Receivable

Grant/Contract funds receivable represent amounts due from various grants and contracts at September 30, 2011, as follows:

RSVP	\$	5,999
Section 5311 Transportation		34,474
Special Programs for the Aging, Title III, Part C, Nutrition Services		10,228
Special Programs for the Aging, Title III, Part B		4,183
LIHEAP		179,550
CSBG		77,365
Head Start		7,762,074
Families First		4,838
Child and Adult Care Food Program		173,454
	\$	8,252,165

Note 5: Capital Assets

The following is a summary of changes in capital assets:

	9/30/2010	Additions	Retirements	9/30/2011
Buildings and equipment	\$ 269,381	19,339	(13,840)	\$ 274,880
Less: Accumulated Depreciation	(194,854)	(23,457)	13,719	(204,592)
Net Unrestricted Capital Assets	\$ 74,527	(4,118)	(121)	\$ 70,288

Depreciation of capital assets for the year ended September 30, 2011, totaled \$23,457.

The Agency has property and equipment with a cost totaling \$8,120,260 that is used in operations but not recorded on the statement of financial position because title is held by grantors.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2011

Note 6: Due to Grantor

Due to grantor represents unexpended funds received by the Agency and are payable to grantor. As of September 30, 2011, the Agency has funds due to Head Start totaling \$17,868.

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	\$	6,921
Citgo-Veel Program		3,929
EHS Model Classroom		1,097
		11,947
	\$	11,947

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, 2011, unobligated Head Start funds are as follows:

Contract Number		
04YC0705/05	\$	102
04CH3194/36		74
04CH3194/37		9,387
04CH3194/38		309,323
04CH3194/39		7,487
04CH3194/40		2,260
04CH3194/42		105,023
04CH3194/43		600,622
04CH3194/44		324,556
04CH3194/45		5,087,666
04SA3194/01		99,268
04SA3194/02		31,431
		6,577,199
	\$	6,577,199

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2011

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, 2011, temporarily restricted net assets consisted of the following:

Section 5311 Rural Transportation Program	\$ 19,034
LIHEAP Refunds	88,110
Economic Development	41,184
HCPHS Program Support	15,225
Whiterock	<u>38,212</u>
	<u>\$ 201,765</u>

Note 10: Risk Management

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

Under Governmental Accounting Standards Board Statement Number 10: *Accounting and Financial Reporting for Risks Financial and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report; there were no known claims above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters at September 30, 2011; therefore, no liability has been accrued at this time.

Note 11: Concentrations of Credit Risk

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

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

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2011

Note 12: 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 \$3,383,640.

Note 13: Operating Leases

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

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

Office Building - The Agency leases an office building for a term of thirty-six (36) months beginning on February 1, 2009, and ending on January 31, 2011. The lease was renewed on February 1, 2011 and expires on January 31, 2014.

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:

2012	\$ 233,441
2013	217,052
2014	78,565
2015	20,369
2016	17,700
Thereafter	<u>52,025</u>
	<u>\$ 619,152</u>

For the fiscal year ended September 30, 2011, the Agency incurred rental expenses totaling \$306,393.

Note 14: Date of Management Review

Subsequent events were evaluated through June 27, 2012, which is the date the financial statements were available to be issued.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2011

Note 15: Prior Period Adjustment

In prior years, the Agency recorded the cost of property and equipment purchased with grant funds on the statement of financial position. In accordance with FASB ASC 958-30-50-3 and 50-4, property and equipment in which title is held by grantors should not be recorded on the statement of financial position. As a result, a prior period adjustment was made to credit capital assets and debit permanently restricted net assets \$7,995,411.

Note 16: 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:

<u>Years of Service</u>	<u>Contribution Percentage</u>
1 - 5	3%
6 - 10	5%
11 - Thereafter	10%

The cost of contributions incurred by the Agency totaled \$456,104 during the fiscal year ended September 30, 2011.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

<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>1,364,733</u>
Passed Through Central Mississippi Planning and Development District:			
Commodity Supplement Food Program	10.565	379L88	23,664
Commodity Supplement Food Program	10.565	378L88	<u>5,154</u>
Total Commodity Supplement Food Program			<u>28,818</u>
Total Department of Agriculture			<u>1,393,551</u>
Department of Transportation:			
Passed Through State of Mississippi: Formula Grants for Other Than Urbanized Areas	20.509	502378	<u>176,102</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	377L88	<u>30,970</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	379L88	112,562
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	378L88	<u>41,051</u>
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>153,613</u>
Temporary Assistance for Needy Families	93.558	660W111	<u>47,418</u>
Low-Income Home Energy Assistance	*	93.568	660L101L 942,939
Low-Income Home Energy Assistance	*	93.568	660L111L <u>935,050</u>
Total Low-Income Home Energy Assistance			<u>1,877,989</u>
Community Services Block Grant	93.569	660N101N	184,451
Community Services Block Grant	93.569	660N111N	<u>550,365</u>
Total Community Services Block Grant			<u>734,816</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, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Department of Health and Human Services (Continued):			
Direct Program:			
Head Start	*	93.600	04CH3194/44
			3,913,962
Head Start	*	93.600	04CH3194/45
			9,303,245
ARRA-Early Head Start	*	93.709	04SA3194/01
			43,415
ARRA-Early Head Start	*	93.709	04SA3194/02
			934,930
Total Head Start			14,195,552
Total Department of Health and Human Services			17,040,358
Corporation for National and Community Service:			
Passed Through State of Mississippi:			
Retired and Senior Volunteer Program	94.002	09SRSM001	54,880
Total Federal Expenditures			\$ 18,664,891

* 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, 2011

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, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Hinds County Human Resource Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hinds County Human Resource Agency.

Note 2: Summary of Significant Accounting Policies

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

Pass-through grantor identifying numbers are presented where available.



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

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S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
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Robin Y. McCormick, CPA/PFS
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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, 2011, and have issued our report thereon dated June 27, 2012. 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
June 27, 2012

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, 2011. 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, 2011.

Internal Control Over Compliance

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
June 27, 2012

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2011

In connection with our audit of the financial statements of Hinds County Human Resource Agency, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, the status of all prior year audit findings must be reported. Hinds County Human Resource Agency's prior year audit findings are reported below.

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with GAAP:

None

Findings Relating to Federal Awards:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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, 2011-December 31, 2011

Condition: For the 2009-2011 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).

Status: The finding is not present in the current year.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs
September 30, 2011

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. No 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 and 93.709) and Low-Income Home Energy Assistance (CFDA #93.568).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$559,947.
9. Hinds County Human Resource Agency qualified as a high-risk auditee.

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

None

Section 3: Findings for Federal Awards

None