

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

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2012**

HINDS COUNTY HUMAN RESOURCE AGENCY
Audited Financial Statements and Additional Information
September 30, 2012

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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, 2012, and the related statements of activities, 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 the 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 explained in note 11 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 \$3,433,687.

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 in the first paragraph present fairly, in all material respects, the financial position of Hinds County Human Resource Agency as of September 30, 2012, and the changes in its net assets and its 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 6, 2013 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* 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Eupora, Mississippi
June 6, 2013

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Financial Position
September 30, 2012

Assets

Current Assets:

Cash	\$	355,280
Investments		122,190
Grant/contract funds receivable		1,545,278
Other receivables		1,127
Prepaid expenses		196,719
Security deposits		1,400
Total Current Assets		<u>2,221,994</u>

Capital Assets:

Property and equipment, net of accumulated depreciation of \$211,957		<u>72,435</u>
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Total Assets	\$	<u><u>2,294,429</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$	440,714
Deferred revenue		30,392
Accrued liabilities		598,523
Total Current Liabilities		<u>1,069,629</u>

Net Assets:

Unrestricted		1,011,778
Temporarily restricted		<u>213,022</u>

Total Net Assets		<u>1,224,800</u>
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Total Liabilities and Net Assets	\$	<u><u>2,294,429</u></u>
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HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended September 30, 2012

Changes in Unrestricted Net Assets:

Unrestricted Revenues and Gains:

Local government financial assistance	\$	90,000
Fund raising activities		57,395
Interest income		1,473
Investment income		15,171
Donations		6,275
Other revenue		43,436
Total Unrestricted Revenues and Gains		213,750

Net Assets Released From Restrictions:

Satisfaction of program restrictions		24,377,158
Total Unrestricted Revenues, Gains and Other Support		24,590,908

Expenses:

Programs:

Head Start		17,134,240
Child and Adult Care Food Program		1,291,871
Special Programs for the Aging, Title III, Part C, Nutrition Services		224,100
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	.	36,067
Temporary Assistance for Needy Families		41,507
Low-Income Home Energy Assistance Program		2,385,034
Community Services Block Grant		994,037
Retired and Senior Volunteer Program		12,007
Formula Grants for Other Than Urbanized Areas		317,562
Fund raising activities		27,317
Other services		127,563
General and administrative		2,046,769
Total Expenses		24,638,074

Decrease in Unrestricted Net Assets \$ (47,166)

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Activities (Continued)
Year Ended September 30, 2012

Changes in Temporarily Restricted Net Assets:	
Federal grants/contracts	\$ 19,373,923
State grants/contracts	10,953
Other grants/contracts	101,190
Program income	17,873
In-kind contributions	4,883,896
United Way funds	580
Net Assets Released From Restrictions:	
Satisfaction of program restrictions	<u>(24,377,158)</u>
Increase in Temporarily Restricted Net Assets	<u>11,257</u>
Decrease in Net Assets	(35,909)
Net Assets Beginning of Year	<u>1,260,709</u>
Net Assets End of Year	<u><u>\$ 1,224,800</u></u>

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Functional Expenses
Year Ended September 30, 2012

	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	\$ 6,833,363	359,618	26,155	-	19,384	122,048
Fringe benefits	1,993,240	106,329	7,925	-	5,695	34,731
Travel	63,124	744	1,361	-	1,083	1,643
Contractual	653,784	19,951	-	-	9,470	250
Equipment rental	30,187	22,837	-	-	738	-
Repairs and maintenance	127,792	19,082	295	-	822	-
Vehicle expenses	161,565	-	2,999	-	-	-
Insurance	118,917	-	-	-	-	-
Supplies	452,111	52,867	65	-	1,697	15,552
Telephone	108,266	-	-	-	1,864	-
Space/utilities	586,382	-	-	-	-	-
Client Assistance	2,040	-	10,525	36,067	22	2,203,241
Food & Delivery	16,671	708,117	174,775	-	-	-
In-kind expenses	4,797,496	-	-	-	-	-
Equip. & Bldg purchases	926,517	-	-	-	-	7,569
Depreciation	-	-	-	-	-	-
Other	262,785	2,326	-	-	732	-
Total Expenses Before Indirect Expenses	17,134,240	1,291,871	224,100	36,067	41,507	2,385,034
Indirect expenses	1,792,652	104,507	6,742	-	4,997	31,462
Total Functional Expenses	\$ 18,926,892	1,396,378	230,842	36,067	46,504	2,416,496

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
253,581	6,191	149,551	662	2,530	7,773,083	1,053,225	\$ 8,826,308
72,961	1,814	43,910	186	705	2,267,496	296,156	2,563,652
4,097	89	1,008	162	205	73,516	9,641	83,157
2,484	-	-	643	57,384	743,966	272,685	1,016,651
6,570	-	-	-	-	60,332	46,313	106,645
4,293	-	-	-	-	152,284	20,662	172,946
-	-	89,284	-	-	253,848	-	253,848
5,256	626	25,770	-	1,628	152,197	9,475	161,672
7,570	-	940	943	46	531,791	97,379	629,170
23,671	-	180	-	4,834	138,815	28,428	167,243
53,048	-	1,511	-	8,929	649,870	102,392	752,262
431,574	-	-	-	427	2,683,896	-	2,683,896
-	-	-	-	-	899,563	-	899,563
86,400	-	-	-	-	4,883,896	-	4,883,896
4,127	-	-	-	(129)	938,084	-	938,084
-	-	-	-	-	-	18,408	18,408
38,405	3,287	5,408	24,721	51,004	388,668	92,005	480,673
994,037	12,007	317,562	27,317	127,563	22,591,305	2,046,769	24,638,074
65,369	1,596	38,552	171	721	2,046,769	(2,046,769)	-
1,059,406	13,603	356,114	27,488	128,284	24,638,074	-	\$ 24,638,074

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Statement of Cash Flows
Year Ended September 30, 2012

Cash Flows From Operating Activities:	
Change in net assets	\$ <u>(35,909)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	18,408
Disposal of capital assets	122
Decrease in grant/contract funds receivable	129,688
Decrease in accounts receivable-other	31,346
Increase in prepaid expenses	(196,058)
Decrease in accounts payable	(153,238)
Decrease in due to grantor	(17,868)
Increase in deferred revenue	18,445
Increase in accrued liabilities	<u>54,044</u>
 Total Adjustments to Reconcile Change in Net Assets	 <u>(115,111)</u>
 Net Cash Provided from Operating Activities	 (151,020)
Cash Flows From Investing Activities:	
Purchase of capital assets	<u>(20,678)</u>
 Net Decrease in Cash	 (171,698)
 Cash at Beginning of Year	 <u>649,168</u>
 Cash at End of Year	 \$ <u><u>477,470</u></u>

See accompanying notes to financial statements.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements
September 30, 2012

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, 2012

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.

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, 2012

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	\$ 122,149
Face amount certificate	13,161
	<u>135,310</u>
Unrealized loss on investments	(13,120)
	<u>\$ 122,190</u>

Note 4: Grant/Contract Funds Receivable

Grant/Contract funds receivable represent amounts due from various grants and contracts at September 30, 2012, as follows:

RSVP	\$ 1,102
Section 5311 Transportation	24,937
Special Programs for the Aging, Title III, Part C, Nutrition Services	5,292
Special Programs for the Aging, Title III, Part B	6,620
LIHEAP	70,405
CSBG	115,575
Head Start	1,150,033
Child and Adult Care Food Program	171,314
	<u>\$ 1,545,278</u>

Note 5: Capital Assets

The following is a summary of changes in capital assets:

	9/30/2011	Additions	Retirements	9/30/2012
Buildings and equipment	\$ 274,879	20,678	(11,165)	\$ 284,392
Less: Accumulated Depreciation	(204,592)	(18,408)	11,043	(211,957)
Net Unrestricted Capital Assets	<u>\$ 70,287</u>	<u>2,270</u>	<u>(122)</u>	<u>\$ 72,435</u>

Depreciation of capital assets for the year ended September 30, 2012, totaled \$18,408.

The Agency has property and equipment with a cost totaling \$8,381,951 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, 2012

Note 6: Deferred Revenue

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

Atmos Share the Warmth	\$	23,575
Citgo-Veel Program		5,718
EHS Model Classroom		1,099
	\$	<u>30,392</u>

Note 7: 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 reconciles its financial records to PMS to ensure only funds from current year contracts are expended. As of September 30, 2012, unobligated Head Start funds are as follows:

04CH3194/36	\$	74
04CH3194/42		104,955
04CH3194/43		600,622
04CH3194/44	(6,717)
04CH3194/45		297,701
04CH3194/46		5,234,320
04SA3194/02		130,699
	\$	<u>6,361,654</u>

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2012

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are assets of the Agency which are restricted by the funding source and the restrictions either expire by passage of time or can be fulfilled and removed by actions of the Agency. As of September 30, 2012, temporarily restricted net assets consisted of the following:

Section 5311 Rural Transportation Program	\$ 19,034
LIHEAP Refunds	99,347
Economic Development	41,204
HCPHS Program Support	15,225
Whiterock	<u>38,212</u>
	<u>\$ 213,022</u>

Note 9: 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, 2012; therefore, no liability has been accrued at this time.

Note 10: 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, 2012

Note 11: 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 \$3,433,687.

Note 12: 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 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, 2011, and ending 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:

2013	\$	218,400
2014		125,557
2015		46,702
2016		32,568
Thereafter		<u>60,698</u>
	\$	<u><u>483,925</u></u>

For the fiscal year ended September 30, 2012, the Agency incurred rental expenses totaling \$309,385.

Note 13: Date of Management Review

Subsequent events were evaluated through June 6, 2013, which is the date the financial statements were available to be issued.

HINDS COUNTY HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)
September 30, 2012

Note 14: 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 \$452,761 during the fiscal year ended September 30, 2012.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

<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>1,394,371</u>
Passed Through Central Mississippi Planning and Development District:			
Commodity Supplement Food Program	10.565	379M88	22,625
Commodity Supplement Food Program	10.565	378M88	<u>4,510</u>
Total Commodity Supplement Food Program			<u>27,135</u>
Total Department of Agriculture			<u>1,421,506</u>
Department of Transportation:			
Passed Through State of Mississippi: Formula Grants for Other Than Urbanized Areas	20.509	502484	<u>197,037</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	377M88	<u>29,679</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	379M88	122,053
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	378M88	<u>34,490</u>
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>156,543</u>
Temporary Assistance for Needy Families	93.558	660W121A	12,317
Temporary Assistance for Needy Families	93.558	660W122A	<u>34,359</u>
Total Temporary Assistance for Needy Families			<u>46,676</u>
Low-Income Home Energy Assistance	93.568	330L111L	884,293
Low-Income Home Energy Assistance	93.568	660L121L	<u>1,530,405</u>
Total Low-Income Home Energy Assistance			<u>2,414,698</u>
Community Services Block Grant	93.569	660N111N	300,920
Community Services Block Grant	93.569	660N121N	<u>670,575</u>
Total Community Services Block Grant			<u>971,495</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, 2012

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:			
ARRA-Early Head Start (see Note 3)	93.709	04SA3194/01	17,868
Head Start	* 93.600	04CH3194/45	4,611,713
Head Start	* 93.600	04CH3194/46	9,510,973
Total Head Start			14,140,554
Total Department of Health and Human Services			17,759,645
Corporation for National and Community Service:			
Direct Program:			
Retired and Senior Volunteer Program	94.002	09SRSM001	12,977
Retired and Senior Volunteer Program	94.002	12SRSM001	626
			13,603
Total Federal Expenditures			\$ 19,391,791

* 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, 2012

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, 2012. 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.

Note 3: Reconciliation of Total Federal Expenditures

In the prior year, Hinds County Human Resource Agency requested a non-Federal share waiver for ARRA-Early Head Start grant 04SA3194/01. As of June 30, 2012 (due date of Hinds County Human Resource Agency's fiscal year ended September 30, 2011 audit), the Agency had not received approval of the waiver, consequently Federal expenditures were decreased and cash match was provided by the Agency in the amount of \$17,868. On July 12, 2012, the Agency received approval of the non-Federal share waiver, at which time the Agency reclassified expenditures of \$17,868 from non-Federal to Federal expenditures. As a result, \$17,868 of Federal expenditures is reported on this schedule even though the expenditures were incurred in the prior year. A reconciliation of Total Federal Expenditures as reported on the Schedule of Expenditures of Federal Awards to Total "Actual" Federal Expenditures for the year ended September 30, 2012 is as follows:

Total Federal expenditures as reported on the Schedule of Expenditures of Federal Awards	\$ 13,391,791
Less: ARRA-Early Head Start (04SA3194/01)	<u>(17,868)</u>
Total "Actual" Federal Expenditures for the year ended September 30, 2012	<u><u>\$ 13,373,923</u></u>



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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, 2012, and have issued our report thereon dated June 6, 2013. 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

Management of Hinds County Human Resource Agency is responsible for establishing and maintaining effective 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 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.

Our consideration of internal control over financial reporting 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 financial reporting 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 solely for the information and use 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 6, 2013

Watkins, Ward and Stafford, PLLC



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**Independent Auditor’s Report on Compliance with Requirements
That Could Have a Direct and 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 Hinds County Human Resource Agency’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hinds County Human Resource Agency’s major federal programs for the year ended September 30, 2012. 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. 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 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, 2012.

Internal Control Over Compliance

Management of Hinds County Human Resource Agency is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hinds County Human Resource Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 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 and use of management, the board of directors, others within the organization, 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 6, 2013

Watkins, Ward and Stafford, PLLC

HINDS COUNTY HUMAN RESOURCE AGENCY
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2012

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 had no prior year audit findings.

HINDS COUNTY HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs
September 30, 2012

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 Child and Adult Care Food Program (CFDA #10.558).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$581,276.
9. Hinds County Human Resource Agency qualified as a low-risk auditee.

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

None

Section 3: Findings for Federal Awards

None