



Financial Statements
June 30, 2021

Irvine Child Care Project

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Independent Auditor's Report

To the Board of Directors
Irvine Child Care Project
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Irvine Child Care Project (the Authority), a California Joint Powers Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Irvine Child Care Project, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the budgetary comparison information on page 24, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Irvine Child Care Project's basic financial statements. The supplementary information, presented on pages 26 through 32, and the audited attendance and fiscal report forms as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, in conformity with the CDE Audit Guide by the California Department of Education, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Irvine Child Care Project'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 solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Irvine Child Care Project's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
November 15, 2021

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Irvine Child Care Project (the Authority), a California Joint Powers Authority, for the year ended June 30, 2021, with comparative information for the year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999. Certain comparative information between the current and the prior year is required to be presented in the MD&A.

The Irvine Child Care Project was established on November 27, 1984, through a joint powers authority agreement entered into by the City of Irvine and the Irvine Unified School District.

The primary purpose of the Authority is to facilitate the provision of child care and child development opportunities utilizing Irvine Unified School District elementary sites by leasing portable classrooms to non-profit groups that operate child care programs within the City.

Financial Highlights

This section provides an overview of the Authority's financial activities.

- Revenues for the General Fund were \$416,910 less than expenditures with overall revenue at \$1,634,000.

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the Authority as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the Authority. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Authority. Readers are also able to determine the amount owed by the Authority to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the Authority, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Position is presented in three major categories. The first category provides the information in regards to equity amounts in property, plant, and equipment owned by the Authority. The second category provides information on amounts restricted for special purposes. The third category provides information on unrestricted net position that are available for obligations as may be approved by the Board.

The Statement of Net Position is summarized below:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Assets			
Cash in county treasury	\$ 1,472,340	\$ 1,741,082	(15.4)
Accounts receivable	17,043	126,020	(86.5)
Capital assets, net	<u>3,636,898</u>	<u>3,869,601</u>	<u>(6.0)</u>
Total assets	<u>5,126,281</u>	<u>5,736,703</u>	<u>(10.6)</u>
Liabilities			
Accounts payable	348,229	309,038	12.7
Long-term liabilities	<u>405,180</u>	<u>518,738</u>	<u>(21.9)</u>
Total liabilities	<u>753,409</u>	<u>827,776</u>	<u>(9.0)</u>
Net Position			
Net investment in capital assets	3,231,718	3,350,863	(3.6)
Unrestricted	<u>1,141,154</u>	<u>1,558,064</u>	<u>(26.8)</u>
Total net position	<u>\$ 4,372,872</u>	<u>\$ 4,908,927</u>	<u>(10.9)</u>

Cash with the Authority is explained in the notes to the financial statements and is invested with the Orange County Treasury to maximize interest income.

- Accounts receivable are amounts due from State and Federal government sources as well as accrued interest income.
- Accounts payable consist mainly of expenditures for services and supplies received prior to June 30, but not yet invoiced or paid.
- Net investment in capital assets reflects the difference between the assets of buildings and improvements and the associated debt.
- Unrestricted net position reflects the current undesignated amounts.

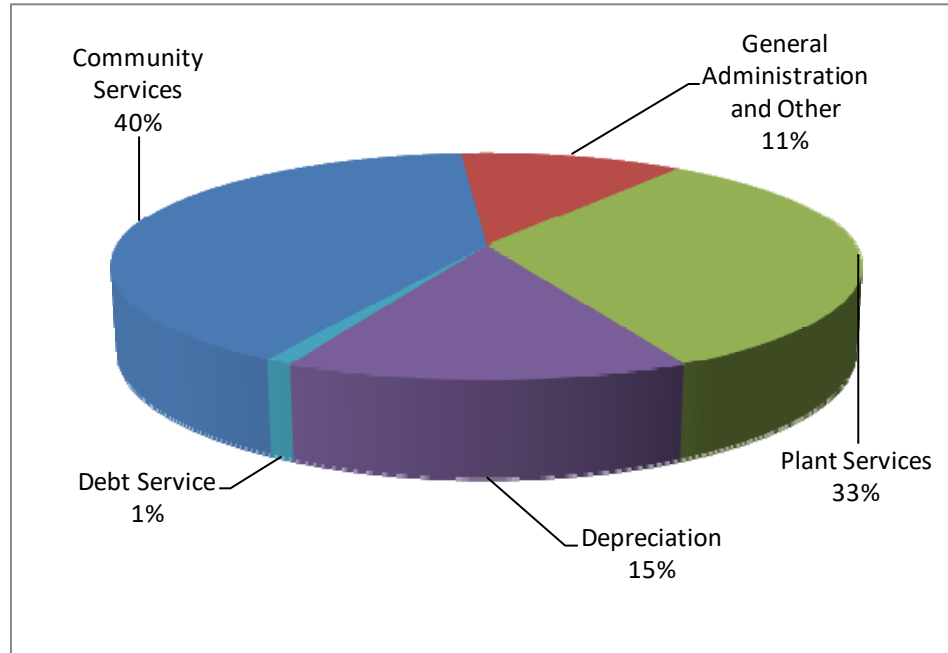
Statement of Activities

Changes in total net position are presented in the Statement of Activities. The purpose of this statement is to present the results of operations and includes revenues earned, whether received or not by the Authority, and the expenses incurred, whether paid or not by the Authority.

The Statement of Activities is summarized below:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Revenues			
Program revenues			
Grants	\$ 752,969	\$ 890,823	(15.5)
Contract fees	867,573	1,392,957	(37.7)
General revenues			
Interest and investment earnings	13,458	39,329	(65.8)
Total revenues	<u>1,634,000</u>	<u>2,323,109</u>	<u>(29.7)</u>
Expenses			
Community services	875,789	1,037,249	(15.6)
Other outgo	62,173	96,033	(35.3)
General administration	185,141	196,719	(5.9)
Plant services	705,396	678,913	3.9
Debt service interest	21,615	26,678	(19.0)
Depreciation unallocated	319,941	323,478	(1.1)
Total expenses	<u>2,170,055</u>	<u>2,359,070</u>	<u>(8.0)</u>
Change in Net Position	<u>(536,055)</u>	<u>(35,961)</u>	<u>1,390.7</u>
Net Position, Beginning	<u>4,908,927</u>	<u>4,944,888</u>	<u>(0.7)</u>
Net Position, Ending	<u>\$ 4,372,872</u>	<u>\$ 4,908,927</u>	<u>(10.9)</u>

Expenses for Governmental Activities



- The activities of the Authority are fully supported by contract fees and grants and contributions.

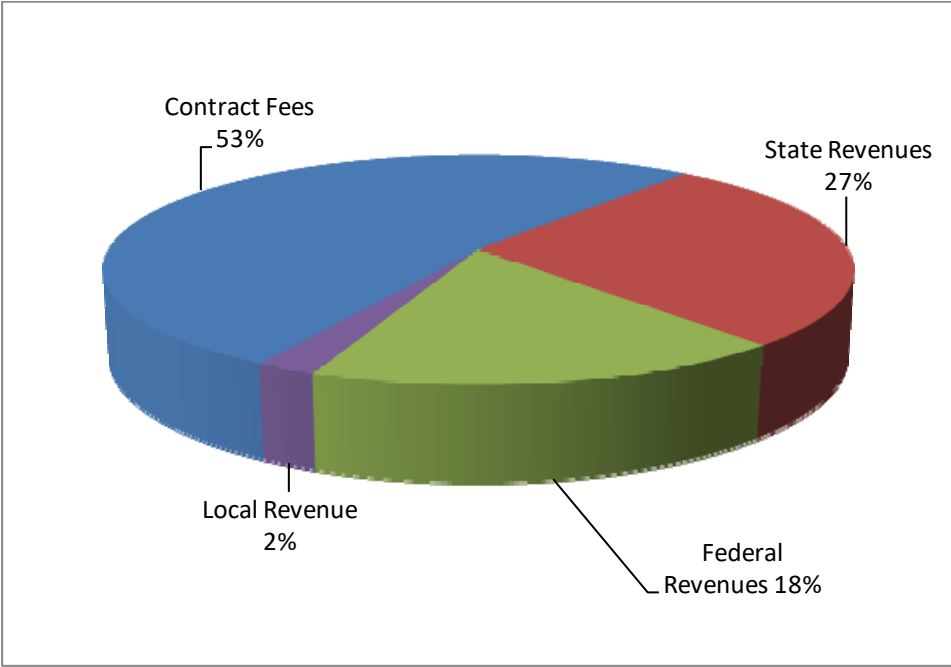
Fund Financial Statements

More detailed information about the Authority's General Fund, not the Authority as a whole, is provided in the fund financial statements. Funds are accounting formats the Authority uses to keep track of specific sources of funding and expenditures in particular programs. Some funds are required by State law and other funds are established by the Authority to control and manage a variety of activities for particular purposes. Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as Federal grants).

The Authority maintains only one class of funds:

Governmental Funds: All of the Authority's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the governmental fund statements. This help determine whether there are more or fewer financial resources that can be spent in the near future for financing the Authority's programs. Because this information does not encompass the additional long-term focus of the Authority-wide statements, additional information is provided in the reconciliation provided after the governmental fund statements that explains the differences (or relationships).

Revenue Sources for Governmental Activities



- Interest income of \$13,458 is considered nonoperating revenue. Interest income was primarily generated by the cash invested in the Orange County Treasury.
- One of the Authority's largest operating expenses are primarily for community services. The Authority expended \$875,789 of the total General Fund budget on these programs.

General Fund Budget

During the fiscal year, the Board authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the Authority. A budgetary comparison schedule for the General Fund is presented below.

Variations between final budget amounts and actual results were a direct result of actions taken by the Board to reduce or defer expenditures and increase income during the fiscal year.

Variations between the original and final budget amounts were primarily created by carry over of funds and new funding for categorical programs and an increased amount of capital assets purchased. These amounts were unknown at the time the original budget was adopted.

	Adopted Budget July 1, 2020	Revised Budget	Actual Revenues/ Expenditures June 30, 2021	Differences
Total Revenues	\$ 2,423,247	\$ 1,634,000	\$ 1,634,000	\$ -
Supplies and services	\$ 2,363,703	\$ 1,915,737	\$ 1,915,737	\$ -
Debt service	135,173	135,173	135,173	-
Total Expenditures	\$ 2,498,876	\$ 2,050,910	\$ 2,050,910	\$ -

Capital Assets and Long-Term Liabilities

Capital Assets

GASB Statement No. 34 requires that governmental agencies account for capital assets in the same way that private and public corporations do. This involves recognizing the value of the Authority's capital assets, such as land, buildings, and equipment, in the capital asset section of the Statement of Net Position. The Authority must now track annual and accumulated depreciation on major assets.

As of June 30, 2021, the Authority had \$8,740,633 invested in capital assets, primarily related to facilities and other capital improvements.

Note 4 to the financial statements provide additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

Site improvements	\$ 610,492
Buildings and improvements	7,923,157
Equipment	206,984
Less: Accumulated depreciation	<u>(5,103,735)</u>
Net capital assets	<u>\$ 3,636,898</u>

Long-Term Liabilities

Note 9 to the financial statements provides additional information on outstanding long-term liabilities. A summary of the Authority's outstanding liabilities at year-end is presented below:

Notes payable	<u>\$ 405,180</u>
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General Fund Budget Information

The Authority's budget is prepared in accordance with California law and is based on the cash basis of accounting, utilizing cash receipts, disbursements, and encumbrances.

The Authority begins the budget process in February of each year to be completed by June 30. After updating of the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the program level determining service, supply, and equipment requirements based on the projected contracts and program activities.

Factors Bearing on the Authority's Future

At the time these financial statements were prepared and audited, the only known circumstance that could significantly affect its financial health in the future would be the State's continuing economic decline and its impact on the State budget.

Contacting the Authority's Financial Management

This financial report is designed to provide the community, investors, creditors, etc. with a general overview of the Authority's financial condition and to show the Authority's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact:

John Fogarty
Assistant Superintendent of Business Services
5050 Barranca Parkway
Irvine, CA 92604
(949) 936-5035
Johnfogarty@iusd.org

Irvine Child Care Project
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash in county treasury	\$ 1,472,340
Accounts receivable	17,043
Capital assets, net	3,636,898
Total assets	5,126,281
Liabilities	
Accounts payable	348,229
Long-term liabilities	
Current portion of long-term liabilities	118,877
Noncurrent portion of long-term liabilities	286,303
Total long-term liabilities	405,180
Total liabilities	753,409
Net Position	
Net investment in capital assets	3,231,718
Unrestricted	1,141,154
Total net position	\$ 4,372,872

Irvine Child Care Project
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Community services	\$ 875,789	\$ 867,573	\$ 715,886	\$ 707,670
Other outgo	62,173	-	37,083	(25,090)
General administration	185,141	-	-	(185,141)
Plant services	705,396	-	-	(705,396)
Debt service - interest	21,615	-	-	(21,615)
Depreciation - unallocated	319,941	-	-	(319,941)
Total governmental activities	<u>\$ 2,170,055</u>	<u>\$ 867,573</u>	<u>\$ 752,969</u>	<u>(549,513)</u>
General Revenues				
Interest income				<u>13,458</u>
Change in Net Position				(536,055)
Net Position - Beginning				<u>4,908,927</u>
Net Position - Ending				<u>\$ 4,372,872</u>

Irvine Child Care Project
Balance Sheet – Governmental Fund
June 30, 2021

	<u>General Fund</u>
Assets	
Cash in county treasury	\$ 1,472,340
Accounts receivable	<u>17,043</u>
Total assets	<u><u>\$ 1,489,383</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 348,229</u>
Fund Balance	
Unassigned	<u>1,141,154</u>
Total liabilities and fund balance	<u><u>\$ 1,489,383</u></u>

Irvine Child Care Project
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Fund \$ 1,141,154

Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 8,740,633	
Accumulated depreciation is	<u>(5,103,735)</u>	

Net capital assets	3,636,898
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Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of

Notes payable	<u>(405,180)</u>
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Total net position - governmental activities	<u><u>\$ 4,372,872</u></u>
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Irvine Child Care Project
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2021

	General Fund
Revenues	
State general child care grant	\$ 423,207
Other state	27,300
Federal general child care grant	240,879
Federal apportionments	51,800
Contract fees	867,573
Interest income	13,458
Other income	9,783
Total revenues	1,634,000
Expenditures	
Community services	875,789
Other outgo	62,173
General administration	185,141
Plant services	792,634
Debt service	
Principal	113,558
Interest	21,615
Total expenditures	2,050,910
Net Change in Fund Balance	(416,910)
Fund Balance - Beginning	1,558,064
Fund Balance - Ending	\$ 1,141,154

Irvine Child Care Project

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund
to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Fund \$ (416,910)

Amounts reported for governmental activities in the Statement of Activities are different because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense	\$ (319,941)	
Capital outlays	<u>87,238</u>	(232,703)

Repayment of long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Notes payable principal payments		<u>113,558</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (536,055)</u></u>
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Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Irvine Child Care Project (the Authority), a California Joint Powers Authority, was established on November 27, 1984, through a joint powers authority agreement (the Agreement) entered into by the City of Irvine (the City) and the Irvine Unified School District (the District).

The primary purpose of the Authority is to facilitate the provision of child care and child development opportunities utilizing Irvine Unified School District elementary sites by leasing portable classrooms to non-profit groups that operate child care programs within the City.

The Authority is also allocated child care and child care related funds through the California Department of Education. The Authority subcontracts with an independent, non-profit organization to deliver subsidized child development services to District children. Certain supplemental financial information is included for the Authority and its subcontractor. The Authority pays the subcontractor at a rate of approximately \$48.55 per child per day of enrollment. The rate is the \$49.54 State maximum rate less an administrative fee of two percent, allowing for subsidized parent fees.

The Governing Board (the Board) of the Authority administers the Agreement and the Authority. The Authority is a public entity separate from the respective parties of the Agreement. The Board carries out the managerial and financial functions of the Authority and is responsible for all of its debts and obligations.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued by the American Institutes of Certified Public Accountants.

The Authority's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Authority as a whole. The Statement of Net Position presents the financial condition of the governmental activities of the Authority at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Authority. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements

During the year, the Authority segregates transactions related to certain Authority functions or activities in separate programs in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Authority at this more detailed level. The focus of governmental fund financial statements is on major funds.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

- Community services - includes activities that provide services to community participants other than students.
- Other outgo - includes activities that provide subsidies for child care fees to community participants.
- General administration - includes data processing services and all other general administration services.
- Plant services - includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.
- Debt service - includes activities for payment of notes payable.

Fund Accounting

The accounting records of the Authority are organized on the basis of a major fund as follows:

- General Fund - The General Fund is the general operating fund to the Authority and accounts for all revenues and expenditures of the Authority. It is used to account for all resources over which the Board has discretionary control and in carrying on the operations of the Authority in accordance with the limitation of its bylaws and joint powers authority agreement.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing or measurement made, regardless of the measurement focus applied.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. Differences between the accrual and the modified basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and the presentation of expenses versus expenditures.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirement during the year. The Authority does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	20 years
Furniture and equipment	7 years

Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the funds.

Notes and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Fund Balance - Governmental Fund

As of June 30, 2021, the fund balance of the governmental fund is classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority currently does not have any nonspendable funds.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Authority currently does not have any restricted funds.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the Board of Directors. The Authority currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the Board of Directors or designee may assign amounts for specific purposes. The Authority currently does not have any assigned funds.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Net Position

The net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

An annual budget of the general operations of the Authority is adopted by the Board. The adopted budget is prepared on the modified accrual basis which is consistent with the basis of accounting used for financial reporting purposes. The budget may be revised by the Board during the year to give consideration to unanticipated revenues and expenditures. It is this final revised budget that is presented in the financial statements. Expenditures are budgeted based upon available fund resources. If expenditures exceed or are likely to exceed revenues, a Board-appointed internal auditor is required to notify the Board in writing. This report is made to the Board at a public meeting. The Board is required to respond, no later than 15 days after receipt of such a report, with its proposed actions or recommendations.

Note 2 - Cash in County

Investments at June 30, 2021, consisted of \$1,472,340 in pooled funds held in the Orange County Educational Investment Pool. The County pools the cash held in the Orange County Treasury with funds from public education agencies and is allowed to invest them as prescribed by the California Government Code. These pooled funds are carried at cost. The fair value of the Authority’s investment in the pool is reported in the accounting financial statements at amounts based upon the Authority’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). Positions in this pool is not required to be categorized within the fair value hierarchy. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The investment has an average weighted maturity of 375 days.

The Treasury Oversight Committee established in December 1995, which consists of the elected County Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, one special district representative member, and one member from the public sector appointed by the Board, conducts Treasury oversight of the pool. The pool is not registered with the SEC.

Note 3 - Accounts Receivable

Accounts receivable at June 30, 2021, consisted of the following:

	Governmental Activities
State Government	\$ 14,133
Other local sources	2,161
Interest	749
Total	\$ 17,043

Note 4 - Capital Assets

Capital assets by type for the year ended June 30, 2021, are as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Site improvements	\$ 610,492	\$ -	\$ -	\$ 610,492
Buildings and improvements	7,869,764	53,393	-	7,923,157
Equipment	173,139	33,845	-	206,984
Total capital assets being depreciated	8,653,395	87,238	-	8,740,633
Less accumulated depreciation				
Site improvements	384,235	30,414	-	414,649
Buildings and improvements	4,344,823	281,193	-	4,626,016
Equipment	54,736	8,334	-	63,070
Total accumulated depreciation	4,783,794	319,941	-	5,103,735
Governmental Activities Capital Assets, Net	\$ 3,869,601	\$ (232,703)	\$ -	\$ 3,636,898

There were no disposals of fixed assets during 2021. Depreciation expense for the current period was \$319,941.

Note 5 - Contract Fees

The Authority leases portable buildings to non-profit groups with terms covering one fiscal year. Lease contracts are renewed on an annual basis with each non-profit group. Contracted lease rates are determined based on the Authority's expenditure budget for the fiscal year and amounted to \$867,573 for the 2021 fiscal year.

Note 6 - Audit Fees

The California State Legislature mandates California Department of Education (CDE) responsibility for ensuring that audit fees are disclosed annually in the Agency's audit report. Audit fees expensed in the current year are \$11,000.

Note 7 - Related Party Transactions

The Authority pays the District and the City for certain accounting and administrative services and facilities provided to the Authority. During the fiscal year, \$961,972 was paid to the District and the City for such services.

Note 8 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	Governmental Activities
Child care services	\$ 206,664
Other	141,565
Total	\$ 348,229

Note 9 - Long-Term Liabilities

Summary

The changes in the Authority's long-term liabilities during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Notes payable	\$ 518,738	\$ -	\$ 113,558	\$ 405,180	\$ 118,877

Payments for the notes payable are made by the General Fund.

Notes Payable

In September 2009, the Authority entered into an agreement with Irvine Unified School District to purchase several portable buildings. The Authority agreed to pay \$1,377,050 plus interest at a rate of 4.93% and matures on September 1, 2024.

In November 2020, the Authority purchased custodial equipment. The Authority agreed to pay \$40,500, interest free, and matures in June 2024.

Payment requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$ 118,877	\$ 16,297	\$ 135,174
2023	124,463	10,710	135,173
2024	130,331	4,842	135,173
2025	31,509	259	31,768
Total	\$ 405,180	\$ 32,108	\$ 437,288



Required Supplementary Information
June 30, 2021

Irvine Child Care Project

Irvine Child Care Project
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual
Revenues			
State general child care grant	\$ 426,694	\$ 423,207	\$ 423,207
Other state	-	27,300	27,300
Federal general child care grant	237,902	240,879	240,879
Federal apportionments	50,000	51,800	51,800
Contract fees	1,626,051	867,573	867,573
Interest income	2,600	13,458	13,458
Other income	80,000	9,783	9,783
Total revenues	<u>2,423,247</u>	<u>1,634,000</u>	<u>1,634,000</u>
Expenditures			
Insurance	89,351	90,316	90,316
Contract services and operating expenditures	2,274,352	1,825,421	1,825,421
Debt service			
Principal	108,495	113,558	113,558
Interest	26,678	21,615	21,615
Total expenditures	<u>2,498,876</u>	<u>2,050,910</u>	<u>2,050,910</u>
Net Change in Fund Balance	<u>\$ (75,629)</u>	<u>\$ (416,910)</u>	(416,910)
Fund Balance - Beginning			<u>1,558,064</u>
Fund Balance - Ending			<u>\$ 1,141,154</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The Authority employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the *California Education Code*. The Board of Directors is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of the budget adoption with legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and the actual results of operations, as well as the variances from the budget to actual results of operations.



Supplementary Information
June 30, 2021

Irvine Child Care Project

Irvine Child Care Project
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2021

Program	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Program or Award Amount	Prior Year Carryover	Total Program or Award Amount	Revenue Recognized	Disbursements/Expenditures
Federal							
U.S. Department of Health and Human Services Passed through California Department of Education General Center Child Care - CCTR-0163	93.575/93.596	15136/13609	\$ 240,879	\$ -	\$ 240,879	\$ 240,879	\$ 240,879
Total U.S. Department of Health and Human Services			<u>240,879</u>	<u>-</u>	<u>240,879</u>	<u>240,879</u>	<u>240,879</u>
U.S. Department of Housing and Urban Development Passed through Irvine Children's Fund Community Development Block Grant	14.218	[1]	51,800	-	51,800	\$ 51,800	51,800
Total U.S. Department of Housing and Urban Development			<u>51,800</u>	<u>-</u>	<u>51,800</u>	<u>51,800</u>	<u>51,800</u>
Total Federal			<u>\$ 292,679</u>	<u>\$ -</u>	<u>\$ 292,679</u>	<u>\$ 292,679</u>	<u>\$ 292,679</u>

Program	Contract Number	Pass-Through Entity Identifying Number	Program or Award Amount	Prior Year Carryover	Total Program or Award Amount	Revenue Recognized	Disbursements/Expenditures
State							
Child Development Division General Center Child Care	CCTR-0163	23254	\$ 423,207	\$ -	\$ 423,207	\$ 423,207	\$ 423,207
Total Federal and State			<u>\$ 715,886</u>	<u>\$ -</u>	<u>\$ 715,886</u>	<u>\$ 715,886</u>	<u>\$ 715,886</u>

[1] Pass-Through Entity Identifying Number Not Available

Irvine Child Care Project
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2021

	General Child Care and Development Programs CCTR-0163	Non-CDE Programs	Total
Support and Revenue			
Support			
State apportionment			
General child care	\$ 423,207	\$ -	\$ 423,207
Other state	-	27,300	27,300
Federal apportionment			
General child care	240,879	-	240,879
Community development block grant	-	51,800	51,800
Total support	664,086	79,100	743,186
Revenue			
Contract fees	-	867,573	867,573
Interest	-	13,458	13,458
Other income	-	9,783	9,783
Total revenue	-	890,814	890,814
Total support and revenue	664,086	969,914	1,634,000
Expenses			
Program services			
General child care program	703,071	-	703,071
Community services	-	172,718	172,718
Other outgo	-	62,173	62,173
General administration	13,086	172,055	185,141
Plant services	-	792,634	792,634
Debt service			
Principal	-	113,558	113,558
Interest	-	21,615	21,615
Total expenses	716,157	1,334,753	2,050,910
Net Change in Fund Balance	\$ (52,071)	\$ (364,839)	\$ (416,910)

Irvine Child Care Project
Combining Schedule of Expenditures by State Categories
Year Ended June 30, 2021

		Child Development Programs - Contracts
1000	Certificated Salaries	\$ 386,725
2000	Classified Salaries	28,646
3000	Employee Benefits	100,262
4000	Books and Supplies	7,162
5000	Services and Other Operating Expenses	<u>180,276</u>
	Total expenditures	<u>\$ 703,071</u>
	Indirect cost charged by school district	<u>13,086</u>
	Total cost of contract	<u>\$ 716,157</u>

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above, to an extent considered necessary to assure ourselves that the amount claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

Irvine Child Care Project
 Reconciliation of CDE and U.S. GAAP Expense Reporting
 Year Ended June 30, 2021

	General Child Care and Development Programs CCTR-0163
Expenses	
Schedule of Expenditures by State Categories (CDE)	\$ 716,157
Adjustments to reconcile difference in reporting	
Subcontract expenses included in the AUD form	-
Capitalized assets expensed on AUD form	-
Capitalized lease expensed on AUD form	-
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 716,157

There were no reconciling items between CDE and U.S. GAAP expense reporting in the current year.

Irvine Child Care Project
Schedule of Reimbursable Equipment Expenditures
Year Ended June 30, 2021

	General Child Care and Development Programs CCTR-0163
	CCTR-0163
<u>Unit Cost Under \$5,000 per Item</u>	
Furniture/Equipment	\$ -
Computer and Software	-
Subtotal	-
<u>Unit Cost over \$5,000 per Item with Prior Written Approval</u>	
None	\$ -
Subtotal	-
<u>Unit Cost over \$5,000 per Item Without Prior Approval</u>	
None	\$ -
Subtotal	-
Total	\$ -

Note: Irvine Child Care Project's capitalization threshold is \$500 or more.

Irvine Child Care Project
 Schedule of Reimbursable Expenditures for Renovations and Repairs
 Year Ended June 30, 2021

	General Child Care and Development Programs <u>CCTR-0163</u>
<u>Unit Cost Under \$10,000 per Item</u>	
None	\$ -
Subtotal	-
<u>Unit Cost \$10,000 or More per Item with Prior Written Approval</u>	
None	\$ -
Subtotal	-
<u>Unit Cost \$10,000 or More per Item Without Prior Approval</u>	
None	\$ -
Subtotal	-
Total	\$ -

Note: Irvine Child Care Project's capitalization threshold is \$500 or more.

Irvine Child Care Project
Schedule of Reimbursable Administrative Costs
Year Ended June 30, 2021

	Center and Block Grant Child Development Programs
Irvine Unified School District's indirect costs	<u>\$ 13,086</u>

Note 2 - Purpose of Schedules

Schedule of Expenditures of Federal and State Awards

The accompanying schedule of expenditures of federal and state awards (the schedule) includes the federal and state award activity of the Irvine Child Care Project for the for the year ended June 30, 2021. Because the schedule only presents only a selected portion of the operations the Irvine Child Care, it is not intended to and does not present the financial position or changes in net position of the Authority.

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

The combining Statement of Revenues, Expenditures, and Changes in Fund Balance is included to provide information regarding the General Child Care and Development Programs and the Non-CDE Programs

Combining Schedule of Expenditures by State Categories

This schedule provides information about expenditures by state categories.

Reconciliation of CDE and U.S. GAAP Expense Reporting

This schedule provides a reconciliation of expenditures by state categories from CDE to the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (U.S. GAAP).

Schedule of Reimbursable Equipment Expenditures

This schedule provides information about reimbursable equipment expenditures.

Schedule of Reimbursable Expenditures for Renovations and Repairs

This schedule provides information about reimbursable expenditures for renovation and repairs.

Schedule of Reimbursable Administrative Costs

This schedule provides information about reimbursable administrative costs.



Independent Auditor's Report
June 30, 2021

Irvine Child Care Project

Compliance and Other Matters

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

Purpose of this Report

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

Rancho Cucamonga, California
November 15, 2021

California Department of Social Services Audited Attendance and Fiscal Report for Child Development Programs

Fiscal Year Ending **June 30, 2021**

Contract Number **CCTR0163**

Vendor Code **30-Q553**

A U D 9500 v2 Page 1 of 8

Full Name of Contractor **Irvine Child Care Project**

Section 1 - Days of Enrollment Certified Children

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Infants (up to 18 months) Full-time-plus				2.8792	0
Infants (up to 18 months) Full-time				2.4400	0
Infants (up to 18 months) Three-quarters-time				1.8300	0
Infants (up to 18 months) One-half-time				1.3420	0
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time				1.8000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus	950		950	1.1800	1,121
Three Years and Older Full-time	3,510		3,510	1.0000	3,510
Three Years and Older Three-quarters-time	3,363		3,363	0.7500	2,522.25
Three Years and Older One-half-time	4,276		4,276	0.5500	2,351.8
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.8470	0

Full Name of Contractor **Irvine Child Care Project**

Section 1 - Days of Enrollment Certified Children (continued)

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.0615	0
TOTAL CERTIFIED DAYS OF ENROLLMENT	12,099		12,099	N/A	9,505.05
DAYS OF OPERATION	250		250	N/A	N/A
DAYS OF ATTENDANCE	9,136		9,136	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-4) and continue to Revenue Section on page 5.

Full Name of Contractor **Irvine Child Care Project**

Section 2 - Days of Enrollment Non-Certified Children

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Infants (up to 18 months) Full-time-plus				2.8792	0
Infants (up to 18 months) Full-time				2.4400	0
Infants (up to 18 months) Three-quarters-time				1.8300	0
Infants (up to 18 months) One-half-time				1.3420	0
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time				1.8000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.5500	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.8470	0

Full Name of Contractor **Irvine Child Care Project**

Section 2 - Days of Enrollment Non-Certified Children (continued)

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.0615	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT				N/A	0

Full Name of Contractor **Irvine Child Care Project**

Section 3 - Revenue

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs	27,088		27,088
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
Restricted Income - Subtotal	27,088		27,088
Transfer From Reserve			
Waived Family Fees for Certified Children (July and August)	7,184		7,184
Family Fees Collected for Certified Children (September - June)	21,022		21,022
Waived Family Fees for Certified Children (September - June)	7,023		7,023
Family Fees (September - June) - Subtotal	28,045		28,045
Interest Earned on Child Development Apportionment Payments	664		664
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue	48,774		48,774

Comments:

Full Name of Contractor **Irvine Child Care Project**

Section 4 - Reimbursable Expenses

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	386,725		386,725
2000 Classified Salaries	28,646		28,646
3000 Employee Benefits	100,262		100,262
4000 Books and Supplies	7,162		7,162
5000 Services and Other Operating Expenses	180,276		180,276
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)	13,086		13,086
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	716,157		716,157
Total Administrative Cost (included in Section 4 above)	13,086		13,086
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate:

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor Irvine Child Care Project

Section 7 - Summary

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	12,099		12,099
Days of Operation	250		250
Days of Attendance	9,136		9,136
Restricted Program Income	27,088		27,088
Transfer from Reserve			
Family Fees for Certified Children (September - June)	28,045		28,045
Interest Earned on Child Development Apportionment Payments	664		664
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	716,157		716,157
Total Administrative Cost	13,086		13,086
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment 9,505.05 Total Non-Certified Adjusted Days of Enrollment 0

Independent auditor's assurances on agency's compliance with contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): YES

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box): YES

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness identified	No
Significant deficiency identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.