Financial Statements
June 30, 2019

Irvine Child Care Project
(A California Joint Powers Authority)

EideBailly®

eidebailly.com

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

TABLE OF CONTENTS
JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT

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, 2019, 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.

What inspires you, inspires us. | eidebailly.com
10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Opinion

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, 2019, 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 supplementary information, such as management's discussion and analysis on pages 4 through 10 and the budgetary comparison information on page 29, 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 29 through 35, and the audited attendance and fiscal reports as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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 is 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 14, 2019, 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.

Eide Bailly LLP

Rancho Cucamonga, California
November 14, 2019

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, 2019, with comparative information for the year ended June 30, 2018. 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 promote child care and child development opportunities utilizing several Irvine Unified School District sites by subleasing portable classrooms to non-profit groups that sponsor 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 $75,331 more than expenditures with overall revenue at $2,563,657.

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:

	2019	2018	% Change
Assets			
Cash	$ 2,109,469	$ 2,708,731	(22.1) %
Accounts receivable	75,641	23,524	221.5
Capital assets, net	4,117,211	3,898,099	5.6
Total Assets	6,302,321	6,630,354	(4.9)
Liabilities			
Accounts payable	770,700	1,393,176	(44.7)
Long-term obligations	586,733	690,408	(15.0)
Total Liabilities	1,357,433	2,083,584	(34.9)
Net Position			
Net investment in capital assets	3,530,478	3,207,691	10.1
Unrestricted	1,414,410	1,339,079	5.6
Total Net Position	$ 4,944,888	$ 4,546,770	8.8 %

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.

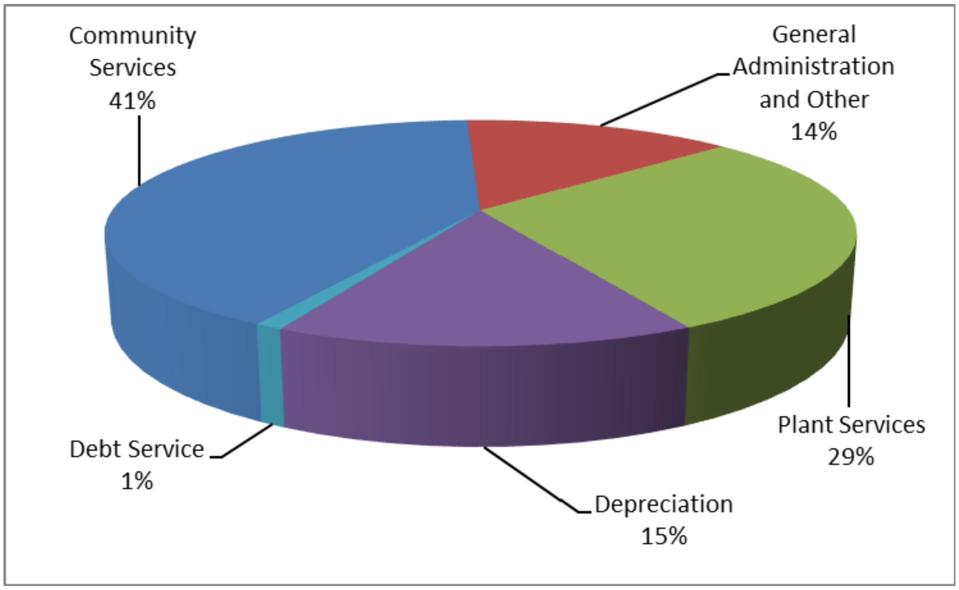
Statement of Activities

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:

	2019	2018	% Change
Revenues			
Program revenues:			
Grants	$ 729,281	$ 651,721	11.9 %
Contract fees	1,783,652	1,600,209	11.5
General revenues:			
Interest and investment earnings	50,724	34,187	48.4
Total Revenues	2,563,657	2,286,117	12.1
Expenses			
Community services	880,227	812,263	8.4
Other outgo	121,309	110,960	9.3
General administration	188,488	170,749	10.4
Plant services	624,334	543,136	14.9
Debt service	31,497	36,086	(12.7)
Depreciation (unallocated)	319,684	292,871	9.2
Total Expenses	2,165,539	1,966,065	10.1
Change in Net Position	398,118	320,052	24.4
Net Position, Beginning of Year	4,546,770	4,226,718	7.6
Net Position, End of Year	$ 4,944,888	$ 4,546,770	8.8 %

Expenses for Governmental Activities



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

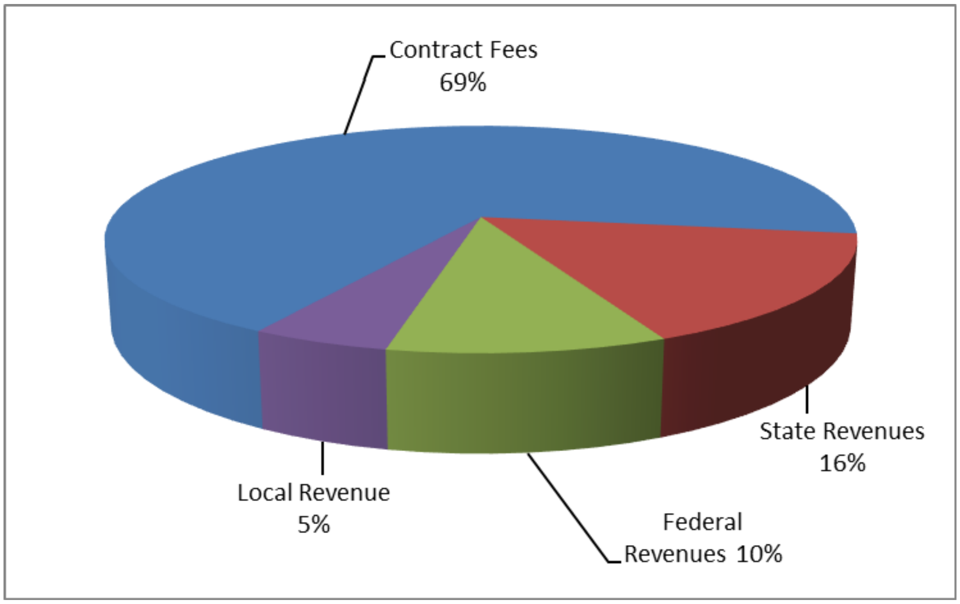
Fund Financial Statements

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 $50,724 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 $880,227 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, 2018	Revised Budget	Actual Revenues/ Expenditures June 30, 2019	Differences
Total Revenues	$ 2,586,005	$ 2,563,657	$ 2,563,657	$ -
Supplies and services	$ 2,462,613	$ 2,353,154	$ 2,353,154	$ -
Debt service	135,172	135,172	135,172	-
Total Expenditures	$ 2,597,785	$ 2,488,326	$ 2,488,326	$ -

Capital Asset and Debt Administration

Capital Assets

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

As of June 30, 2019, the Authority had $8,577,527 invested in capital assets, primarily related to facilities and other capital improvements.

Note 5 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	7,848,866
Equipment	118,169
Less: Accumulated depreciation	(4,460,316)
Net Capital Assets	$ 4,117,211

Long-Term Obligations

Note 10 to the financial statements provides additional information on outstanding long-term obligations. A summary of the Authority's outstanding obligations at year-end is presented below:

Notes payable	$ 586,733

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:

Traci Stubbler
Irvine Child Care Project Administrator
P.O. Box 19575
Irvine, CA 92623-9575
(949) 724-6635

tstubbler@cityofirvine.org

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash in County treasury	$ 2,109,469
Accounts receivable	75,641
Capital assets, net	4,117,211
Total Assets	6,302,321
LIABILITIES	
Accounts payable	770,700
Long-term obligations	
Current portion of long-term obligations	100,395
Noncurrent portion of long-term obligations	486,338
Total Long-Term Obligations	586,733
Total Liabilities	1,357,433
NET POSITION	
Net investment in capital assets	3,530,478
Unrestricted	1,414,410
Total Net Position	$ 4,944,888

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

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Community services	$ 880,227	$ 1,783,652	$ 655,588	$ 1,559,013
Other outgo	121,309	-	73,693	(47,616)
General administration	188,488	-	-	(188,488)
Plant services	624,334	-	-	(624,334)
Debt service - interest	31,497	-	-	(31,497)
Depreciation - unallocated	319,684	-	-	(319,684)
Total Governmental Activities	$ 2,165,539	$ 1,783,652	$ 729,281	347,394
General Revenues:				
Interest income				50,724
Change in Net Position				398,118
Net Position - Beginning				4,546,770
Net Position - Ending				$ 4,944,888

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

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2019

	General Fund
ASSETS	
Cash in County treasury	$ 2,109,469
Accounts receivable	75,641
Total Assets	$ 2,185,110
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 770,700
FUND BALANCE	
Unassigned	1,414,410
Total Liabilities and Fund Balance	$ 2,185,110

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

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Total Fund Balance - Governmental Fund		$ 1,414,410
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	$ 8,577,527	
Accumulated depreciation is	(4,460,316)	
Total Capital Assets		4,117,211
Long-term obligations, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year end consist of:		
Notes payable		(586,733)
Total Net Position - Governmental Activities		$ 4,944,888

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

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund
REVENUES	
General child care grant	$ 405,000
Federal apportionments	250,588
Contract fees	1,783,652
Interest income	50,724
Other income	73,693
Total Revenues	2,563,657
EXPENDITURES	
Community services	880,227
Other outgo	121,309
General administration	188,488
Plant services	1,163,130
Debt service	
Principal	103,675
Interest	31,497
Total Expenditures	2,488,326
Excess of Revenues Over Expenditures	75,331
Fund Balance at Beginning of Year	1,339,079
Fund Balance at End of Year	$ 1,414,410

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

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Fund		$ 75,331
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 of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 538,796	
Depreciation expense	(319,684)	219,112
Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		
Notes payable principal payments		103,675
Change in Net Position of Governmental Activities		$ 398,118

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 promote child care and child development opportunities utilizing District sites by subleasing portable classrooms to non-profit groups that sponsor 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 $47.02 per child per day of enrollment. The rate is the $47.98 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 45 or 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 live 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

Fund Balance - Governmental Fund

As of June 30, 2019, 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.

Use of 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 reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. 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.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - CASH IN COUNTY

Cash at June 30, 2019, consisted of $2,109,469 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 market value is $2,117,510. The investment has an average weighted maturity of 310 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 - FAIR VALUE MEASUREMENTS

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the Authority has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Authority's own data. The Authority should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the Authority are not available to other market participants.

Uncategorized - Investments in the Orange County Educational Investment Pool are not measured using the input levels above because the Authority's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The fair value measurement is as follows at June 30, 2019:

Investment Type	Fair Value	Uncategorized
Orange County Educational Investment Pool	$ 2,117,510	$ 2,117,510

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of the following:

	Governmental Activities
State Government	$ 40,129
Other local sources	31,429
Interest	4,083
Total	$ 75,641

NOTE 5 - CAPITAL ASSETS

Capital assets by type for the year ended June 30, 2019, are as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Site improvements	$ 610,492	$ -	$ -	$ 610,492
Buildings and improvements	7,310,070	538,796	-	7,848,866
Equipment	118,169	-	-	118,169
Total Capital Assets	8,038,731	538,796	-	8,577,527
Less Accumulated Depreciation				
Site improvements	323,189	30,521	-	353,710
Buildings and improvements	3,773,242	285,270	-	4,058,512
Equipment	44,201	3,893	-	48,094
Total Accumulated Depreciation	4,140,632	319,684	-	4,460,316
Governmental Activities Capital Assets, Net	$ 3,898,099	$ 219,112	$ -	$ 4,117,211

There were no disposals of fixed assets during 2019. Depreciation expense for the current period was $319,684.

NOTE 6 - 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 $1,783,652 for the 2019 fiscal year.

NOTE 7 - 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 $9,100.

NOTE 8 - 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, $873,303 was paid to the District and the City for such services.

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Governmental Activities
Child care services	$ 171,365
State grant payable	83,952
Capital asset purchases	425,000
Other	90,383
Total	$ 770,700

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Notes payable	$ 690,408	$ -	$ 103,675	$ 586,733	$ 100,395

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 percent and matures on September 1, 2024.

Payment requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	$ 100,395	$ 26,678	$ 127,073
2021	105,458	21,615	127,073
2022	110,777	16,297	127,074
2023	116,363	10,710	127,073
2024	122,231	4,842	127,073
2025	31,509	259	31,768
Total	$ 586,733	$ 80,401	$ 667,134

SUPPLEMENTARY INFORMATION

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General child care grant	$ 396,101	$ 405,000	$ 405,000	$ -
Federal apportionments	269,915	250,588	250,588	-
Contract fees	1,820,835	1,783,652	1,783,652	-
Interest income	2,600	50,724	50,724	-
Other income	96,554	73,693	73,693	-
Total Revenues	2,586,005	2,563,657	2,563,657	-
EXPENDITURES				
Supplies	1,600	-	-	-
Insurance	74,878	-	-	-
Contract services and operating expenditures	2,386,135	2,353,154	2,353,154	-
Debt service:				
Principal	103,675	103,675	103,675	-
Interest	31,497	31,497	31,497	-
Total Expenditures	2,597,785	2,488,326	2,488,326	-
Excess (Deficiency) of Revenues Over Expenditures	$ (11,780)	$ 75,331	75,331	$ -
Fund Balance at Beginning of Year			1,339,079	
Fund Balance at End of Year			$ 1,414,410	

See the independent auditor's report.

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Program	CFDA Number	Pass-Through Entity Identifying Number	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-8158	93.575/93.596	15136/13609	$ 203,431	$ 203,431	$ 203,431
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Irvine Children's Fund:					
Community Development Block Grant	14.218	[1]	47,157	47,157	47,157
Total Federal			$ 250,588	$ 250,588	$ 250,588

Program	Contract Number	Pass-Through Entity Identifying Number	Program or Award Amount	Revenue Recognized	Disbursements/ Expenditures
STATE					
Child Development Division:					
General Center Child Care	CCTR-8158	23254	$ 405,000	$ 405,000	$ 405,000
TOTAL FEDERAL AND STATE			$ 655,588	$ 655,588	$ 655,588

[1] Pass-Through Entity Identifying Number Not Available

See the independent auditor's report.

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	General Child Care and Development Programs CCTR-8158	Non-CDE Programs	Total
SUPPORT AND REVENUE			
Support			
State Apportionment			
General child care	$ 405,000	$ -	$ 405,000
Federal Apportionment			
General child care	250,588	-	250,588
Total Support	655,588	-	655,588
Revenue			
Contract fees	-	1,783,652	1,783,652
Interest	-	50,724	50,724
Other income	-	73,693	73,693
Total Revenue	-	1,908,069	1,908,069
TOTAL SUPPORT AND REVENUE	655,588	1,908,069	2,563,657
EXPENSES			
Program Services			
General child care program	655,588	-	655,588
Community services	-	224,639	224,639
Other outgo	-	121,309	121,309
General administration	-	188,488	188,488
Plant services	-	1,163,130	1,163,130
Debt service:			
Principal	-	103,675	103,675
Interest	-	31,497	31,497
Total Expenses	655,588	1,832,738	2,488,326
INCREASE IN NET POSITION	$ -	$ 75,331	$ 75,331

See the independent auditor's report.

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

COMBINING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
FOR THE YEAR ENDED JUNE 30, 2019

		Child Development Programs - Contracts
1000	CERTIFICATED SALARIES	$ 2,657,199
2000	CLASSIFIED SALARIES	232,739
3000	EMPLOYEE BENEFITS	716,590
4000	BOOKS AND SUPPLIES	260,831
5000	SERVICES AND OTHER OPERATING EXPENSES	1,602,784
6000	SITES, BUILDINGS, AND NEW EQUIPMENT	-
	TOTAL EXPENDITURES	$ 5,470,143
	Indirect Cost Charged by School District	$ 11,930
	Total Cost of Contract	$ 5,482,073

See the independent auditor's report.

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

	General Child Care and Development Programs CCTR-8158
Unit Cost Under $7,500 Per Item	
Furniture/Equipment	$ -
Computer and Software	-
Subtotal	-
Unit Cost Over $7,500 Per Item With Prior Written Approval	
None	$ -
Subtotal	-
Unit Cost Over $7,500 Per Item Without Prior Approval	
None	$ -
Subtotal	-
Total	$ -

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

See the independent auditor's report.

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

SCHEDULE OF REIMBURSABLE EXPENDITURES FOR RENOVATIONS AND REPAIRS FOR THE YEAR ENDED JUNE 30, 2019

	General Child Care and Development Programs CCTR-8158
Unit Cost Under $10,000 Per Item	
None	$ -
Subtotal	-
Unit Cost $10,000 or More Per Item With Prior Written	
None	$ -
Subtotal	-
Unit Cost $10,000 or More Per Item Without Prior Approval	
None	$ -
Subtotal	-
Total	$ -

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

See the independent auditor's report.

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

SCHEDULE OF ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2019

	Center and Block Grant Child Development Programs
Certified salaries	$ 226,362
Classified salaries	16,116
Employee benefits	32,106
Books and supplies	9,457
Services and other operating expenditures	172,697
Irvine Unified School District's indirect costs	11,930
Total Administrative Costs	$ 468,668

See the independent auditor's report.

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S 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
Irvine Child Care Project
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Irvine Child Care Project (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Irvine Child Care Project's basic financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Irvine Child Care Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Irvine Child Care Project's internal control. Accordingly, we do not express an opinion on the effectiveness of Irvine Child Care Project's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Eide Bailly LLP

Rancho Cucamonga, California
November 14, 2019

Audited Final Attendance and Fiscal Report Forms

AUDITED ATTENDANCE AND FISCAL REPORT
for General or Migrant Center-Based Programs

Agency Name: Irvine Child Care Project — Vendor No. 30-Q553

Fiscal Year Ended: June 30, 2019 — Contract No. CCTR-8158

Independent Auditor's Name: Eide Bailly LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
Infants (up to 18 months)					
Full-time-plus	-	-	-	2.443	-
Full-time	-	-	-	2.070	-
Three-quarters-time	-	-	-	1.553	-
One-half-time	-	-	-	1.139	-
Toddlers (18 up to 36 months)					
Full-time-plus	-	-	-	1.888	-
Full-time	-	-	-	1.600	-
Three-quarters-time	-	-	-	1.200	-
One-half-time	-	-	-	0.880	-
Three Years and Older					
Full-time-plus	549	-	549	1.180	647.820
Full-time	4,545	-	4,545	1.000	4,545.000
Three-quarters-time	6,027	-	6,027	0.750	4,520.250
One-half-time	7,418	-	7,418	0.550	4,079.900
Exceptional Needs					
Full-time-plus	-	-	-	1.617	-
Full-time	-	-	-	1.370	-
Three-quarters-time	-	-	-	1.028	-
One-half-time	-	-	-	0.754	-
Limited and Non-English Proficient					
Full-time-plus	-	-	-	1.298	-
Full-time	-	-	-	1.100	-
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
At Risk of Abuse or Neglect					
Full-time-plus	-	-	-	1.298	-
Full-time	-	-	-	1.100	-
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
Severely Disabled					
Full-time-plus	-	-	-	2.024	-
Full-time	-	-	-	1.715	-
Three-quarters-time	-	-	-	1.286	-
One-half-time	-	-	-	0.943	-
TOTAL DAYS OF ENROLLMENT	18,539	-	18,539		13,792.970
DAYS OF OPERATION	249	-	249		
DAYS OF ATTENDANCE	18,401	-	18,401		

☐ NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

AUDITED ATTENDANCE AND FISCAL REPORT

for General or Migrant Center-Based Programs

Agency Name: Irvine Child Care Project Vendor No. 30-Q553

Fiscal Year Ended: June 30, 2019 Contract No. CCTR-8158

Independent Auditor's Name: Eide Bailly LLP

SECTION II - NONCERTIFIED CHILDREN	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
Report all children who were not certified, but who were served at the same sites as certified children **DAYS OF ENROLLMENT**	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
Infants (up to 18 months)					
Full-time-plus	-	-	-	2.443	-
Full-time	-	-	-	2.070	-
Three-quarters-time	-	-	-	1.553	-
One-half-time	-	-	-	1.139	-
Toddlers (18 up to 36 months)					
Full-time-plus	-	-	-	1.889	-
Full-time	-	-	-	1.600	-
Three-quarters-time	-	-	-	1.200	-
One-half-time	-	-	-	0.880	-
Three Years and Older					
Full-time-plus	-	-	-	1.180	-
Full-time	36,150	-	36,150	1.000	36,150.000
Three-quarters-time	32,204	-	32,204	0.750	24,153.000
One-half-time	49,728	-	49,728	0.550	27,350.400
Exceptional Needs					
Full-time-plus	-	-	-	1.617	-
Full-time	-	-	-	1.370	-
Three-quarters-time	-	-	-	1.028	-
One-half-time	-	-	-	0.754	-
Limited and Non-English Proficient					
Full-time-plus	-	-	-	1.298	-
Full-time	4	-	4	1.100	4.400
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
At Risk of Abuse or Neglect					
Full-time-plus	-	-	-	1.298	-
Full-time	-	-	-	1.100	-
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
Severely Disabled					
Full-time-plus	-	-	-	2.024	-
Full-time	-	-	-	1.715	-
Three-quarters-time	-	-	-	1.286	-
One-half-time	-	-	-	0.943	-
TOTAL DAYS OF ENROLLMENT	118,086	-	118,086		87,657.800

Comments - If necessary, attach additional sheets to explain adjustments:

AUDITED ATTENDANCE AND FISCAL REPORT
for General or Migrant Center-Based Programs

Agency Name: Irvine Child Care Project Vendor No. 30-Q553

Fiscal Year End: June 30, 2019 Contract No. CCTR-8158

Independent Auditor's Name: Eide Bailly LLP

SECTION III - REVENUE	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME			
Child Nutrition Programs	$29,017	$0	$29,017
County Maintenance of Effort (EC § 8279)	-	-	-
Uncashed Checks to Providers	-	-	-
Other: ICCP Grant	-	-	-
Subtotal	$29,017	$0	$29,017
Transfer from Reserve	-	-	-
Family Fees for Certified Children	53,347	-	53,347
Interest Earned on Apportionments	-	-	-
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	5,069,521	-	5,069,521
Head Start Program (EC § 8235 (b))	-	-	-
Other:	33,303	-	33,303
TOTAL REVENUE	$5,185,188	-	$5,185,188
SECTION IV - REIMBURSABLE EXPENSES			
Direct Payments to Providers (FCCH Only)			
1000 Certificated Salaries	2,657,199	-	2,657,199
2000 Classified Salaries	232,739	-	232,739
3000 Employee Benefits	716,590	-	716,590
4000 Books and Supplies	260,831	-	260,831
5000 Services and Other Operating Expenses	1,602,784	-	1,602,784
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment (*program-related*)	-	-	-
6500 Replacement Equipment (*program-related)*	-	-	-
Depreciation or Use Allowance	-	-	-
Start-Up Expenses (service level exemption)	-	-	-
Budget Impasse Credit	-	-	-
Indirect Costs. Rate: 2.00% (Rate is Self-Calculating)	11,930	-	11,930
FOR CDE-A&I USE ONLY:			
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	$5,482,073	$0	$5,482,073
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	$468,668	$0	$468,668

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

- [X] YES
- [ ] NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

- [X] YES
- [ ] NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

- [X] **NO SUPPLEMENTAL REVENUES OR EXPENSES** - Check this box and omit page 4 if there are no supplemental revenues or expenses to report.

AUD 9500, Page 3 of 3 (FY 2018-19) California Department of Education

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

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

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

IRVINE CHILD CARE PROJECT
(A California Joint Powers Authority)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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