

**IRVINE CHILD CARE PROJECT  
(A CALIFORNIA JOINT POWERS AUTHORITY)**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**

**IRVINE CHILD CARE PROJECT**  
**(A California Joint Powers Authority)**

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**JUNE 30, 2018**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

**VALUE THE** *difference*

## **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, 2018, 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.

## **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, 2018, 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 27, 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 27 through 33, 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 9, 2018, 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.

Vavinek, Tunc, Day & Co. LLP

Rancho Cucamonga, California

November 9, 2018

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**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, 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.

- Expenditures for the General Fund were \$626,575 more than revenues with overall revenue at \$2,286,117.

**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.

**IRVINE CHILD CARE PROJECT**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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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>2018</u>	<u>2017</u>	<u>% Change</u>
<b>Assets</b>			
Cash	\$ 2,708,731	\$ 2,251,170	20.3 %
Accounts receivable	23,524	35,575	(33.9)
Capital assets, net	<u>3,898,099</u>	<u>3,050,559</u>	<u>27.8</u>
<b>Total Assets</b>	<u>6,630,354</u>	<u>5,337,304</u>	<u>24.2</u>
<b>Liabilities</b>			
Accounts payable	1,393,176	321,091	333.9
Long-term obligations	<u>690,408</u>	<u>789,495</u>	<u>(12.6)</u>
<b>Total Liabilities</b>	<u>2,083,584</u>	<u>1,110,586</u>	<u>87.6</u>
<b>Net Position</b>			
Net investment in capital assets	3,207,691	2,261,064	41.9
Unrestricted	<u>1,339,079</u>	<u>1,965,654</u>	<u>(31.9)</u>
<b>Total Net Position</b>	<u>\$ 4,546,770</u>	<u>\$ 4,226,718</u>	<u>7.6 %</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.

**IRVINE CHILD CARE PROJECT**  
**(A California Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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The Statement of Activities is summarized below:

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
<b>Revenues</b>			
Program revenues:			
Grants	\$ 651,721	\$ 538,002	21.1 %
Contract fees	1,600,209	1,478,107	8.3
General revenues:			
Interest and investment earnings	34,187	21,838	56.5
<b>Total Revenues</b>	<u>2,286,117</u>	<u>2,037,947</u>	<u>12.2</u>
<b>Expenses</b>			
Community services	812,263	656,947	23.6
Other outgo	110,960	105,921	4.8
General administration	170,749	165,156	3.4
Plant services	543,136	530,853	2.3
Debt service	36,086	40,454	(10.8)
Depreciation (unallocated)	292,871	205,901	42.2
<b>Total Expenses</b>	<u>1,966,065</u>	<u>1,705,232</u>	<u>15.3</u>
<b>Change in Net Position</b>	<u>320,052</u>	<u>332,715</u>	<u>(3.8)</u>
<b>Net Position, Beginning of Year</b>	<u>4,226,718</u>	<u>3,894,003</u>	<u>8.5</u>
<b>Net Position, End of Year</b>	<u>\$ 4,546,770</u>	<u>\$ 4,226,718</u>	<u>7.6 %</u>

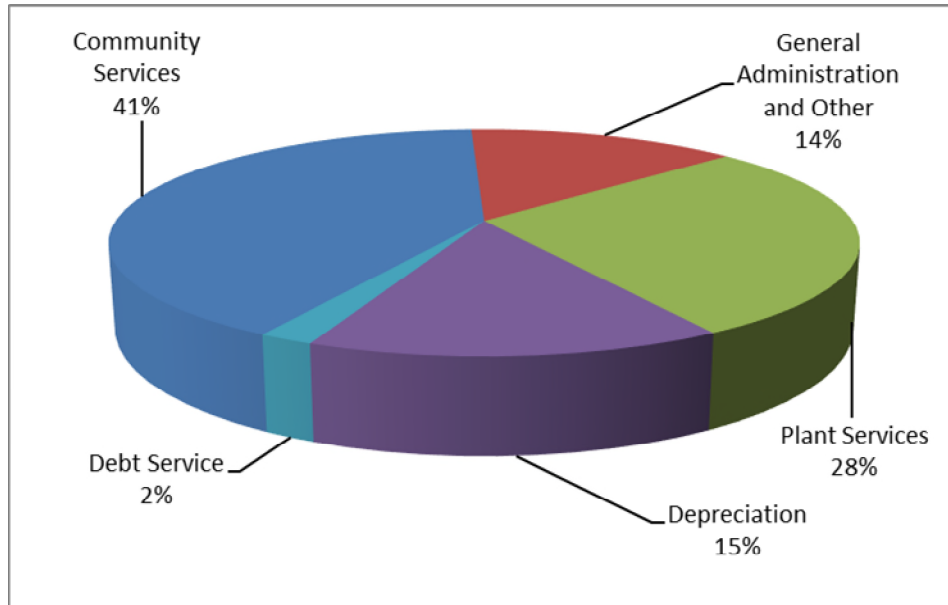


**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**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:

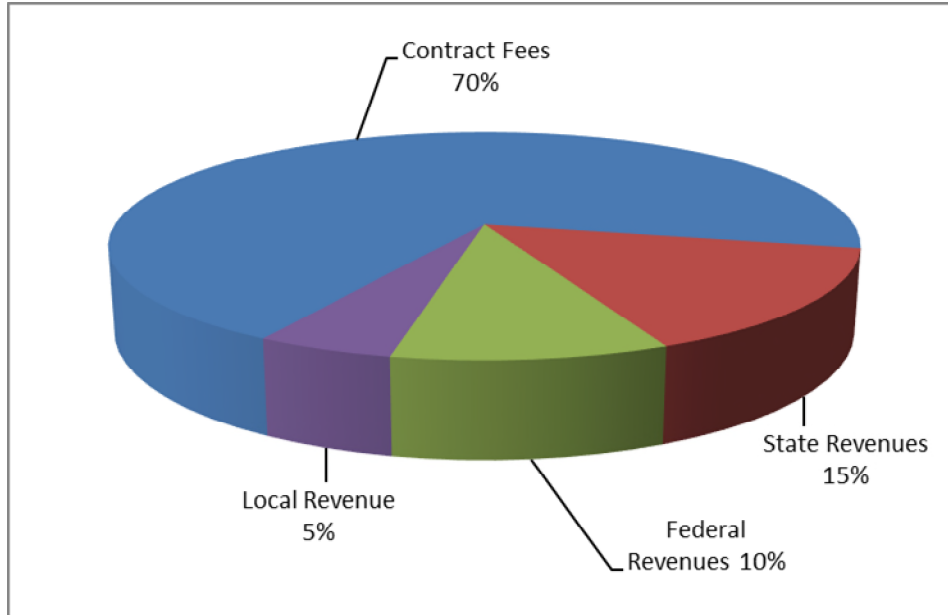
**Governmental funds:** All of the Authority's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the governmental fund statements. These 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).

**IRVINE CHILD CARE PROJECT**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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**Revenue Sources for Governmental Activities**



- Interest income of \$34,187 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 \$812,263 of the total General Fund budget on these programs.

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**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.

	<b>Adopted Budget July 1, 2017</b>	<b>Revised Budget</b>	<b>Actual Revenues/ Expenditures June 30, 2018</b>	<b>Differences</b>
<b>Total Revenues</b>	\$ 2,310,791	\$ 2,286,117	\$ 2,286,117	\$ -
Supplies and services	\$ 2,835,924	\$ 2,777,519	\$ 2,777,519	\$ -
Debt service	135,173	135,173	135,173	-
<b>Total Expenditures</b>	<u>\$ 2,971,097</u>	<u>\$ 2,912,692</u>	<u>\$ 2,912,692</u>	<u>\$ -</u>

**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, 2018, the Authority had \$8,038,731 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	7,310,070
Equipment	118,169
Less: Accumulated depreciation	<u>(4,140,632)</u>
<b>Net Capital Assets</b>	<u>\$ 3,898,099</u>

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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**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	<u>\$ 690,408</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:

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

**IRVINE CHILD CARE PROJECT**  
**(A California Joint Powers Authority)**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash in county treasury	\$ 2,708,731
Accounts receivable	23,524
Capital assets, net	<u>3,898,099</u>
Total Assets	<u>6,630,354</u>
<b>LIABILITIES</b>	
Accounts payable	1,393,176
Long-term obligations	
Current portion of long-term obligations	103,676
Noncurrent portion of long-term obligations	<u>586,732</u>
Total Long-Term Obligations	<u>690,408</u>
Total Liabilities	<u>2,083,584</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,207,691
Unrestricted	<u>1,339,079</u>
Total Net Position	<u>\$ 4,546,770</u>

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, 2018**

Functions	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Community services	\$ 812,263	\$ 1,600,209	\$ 577,369	\$ 1,365,315
Other outgo	110,960	-	74,352	(36,608)
General administration	170,749	-	-	(170,749)
Plant services	543,136	-	-	(543,136)
Debt service - interest	36,086	-	-	(36,086)
Depreciation - unallocated	292,871	-	-	(292,871)
Total Governmental Activities	<u>\$1,966,065</u>	<u>\$ 1,600,209</u>	<u>\$ 651,721</u>	<u>285,865</u>
				General Revenues:
				Interest income
				<u>34,187</u>
				Change in Net Position
				<u>320,052</u>
				Net Position - Beginning
				<u>4,226,718</u>
				Net Position - Ending
				<u>\$ 4,546,770</u>

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, 2018**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash in county treasury	\$ 2,708,731
Accounts receivable	23,524
Total Assets	<u>\$ 2,732,255</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 1,393,176</u>
<b>FUND BALANCE</b>	
Unassigned	<u>1,339,079</u>
Total Liabilities and Fund Balance	<u>\$ 2,732,255</u>

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, 2018**

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Total Fund Balance - Governmental Fund		\$ 1,339,079
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	\$ 8,038,731	
Accumulated depreciation is	<u>(4,140,632)</u>	
Total Capital Assets		3,898,099
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		<u>(690,408)</u>
Total Net Position - Governmental Activities		<u>\$ 4,546,770</u>

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, 2018**

	<u>General Fund</u>
<b>REVENUES</b>	
General child care grant	\$ 338,074
Federal apportionments	239,295
Contract fees	1,600,209
Interest income	34,187
Other income	<u>74,352</u>
Total Revenues	<u>2,286,117</u>
<b>EXPENDITURES</b>	
Community services	812,263
Other outgo	110,960
General administration	170,749
Plant services	1,683,547
Debt service	
Principal	99,087
Interest	<u>36,086</u>
Total Expenditures	<u>2,912,692</u>
Excess of Expenditures Over Revenues	<u>(626,575)</u>
Fund Balance at Beginning of Year	<u>1,965,654</u>
Fund Balance at End of Year	<u>\$ 1,339,079</u>

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, 2018**

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Total Net Change in Fund Balances - Governmental Fund \$ (626,575)

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	\$ 1,140,411	
Depreciation expense	<u>(292,871)</u>	847,540

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		<u>99,087</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 320,052</u></u>
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The accompanying notes are an integral part of these financial statements.

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**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 \$44.53 per child per day of enrollment. The rate is the \$45.44 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.

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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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.

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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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 life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 years
Furniture and equipment	7 years

**Fund Balance - Governmental Fund**

As of June 30, 2018, 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.

**IRVINE CHILD CARE PROJECT  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**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.

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Change in Accounting Principles**

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

**IRVINE CHILD CARE PROJECT  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**New Accounting Pronouncements**

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 requirements of this Statement are effective for reporting periods beginning after June 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 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.



**IRVINE CHILD CARE PROJECT  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**NOTE 2 - CASH IN COUNTY**

Cash at June 30, 2018, consisted of \$2,708,731 in pooled funds held in the Orange County Treasury 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 \$2,697,070. The investment has an average weighted maturity of 302 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.

**IRVINE CHILD CARE PROJECT**  
**(A California Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Uncategorized - Investments in the Orange County Treasury 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, 2018:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Orange County Treasury Investment Pool	<u>\$ 2,708,731</u>	<u>\$ 2,708,731</u>

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018, consisted of the following:

	<u>Governmental Activities</u>
Other Local Sources	<u>\$ 23,524</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets by type for the year ended June 30, 2018, are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<b>Governmental Activities</b>				
Site improvements	\$ 610,492	\$ -	\$ -	\$ 610,492
Buildings and improvements	6,247,520	1,062,550	-	7,310,070
Equipment	40,308	77,861	-	118,169
Total Capital Assets	<u>6,898,320</u>	<u>1,140,411</u>	<u>-</u>	<u>8,038,731</u>
Less Accumulated Depreciation				
Site improvements	292,664	30,525	-	323,189
Buildings and improvements	3,514,789	258,453	-	3,773,242
Equipment	40,308	3,893	-	44,201
Total Accumulated Depreciation	<u>3,847,761</u>	<u>292,871</u>	<u>-</u>	<u>4,140,632</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,050,559</u>	<u>\$ 847,540</u>	<u>\$ -</u>	<u>\$ 3,898,099</u>

There were no disposals of fixed assets during 2018. Depreciation expense for the current period was \$292,871.

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**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 \$1,600,209 for the 2018 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, \$839,120 was paid to the District and the City for such services.

**NOTE 9 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

	<u>Governmental Activities</u>
Child Care Services	\$ 247,743
State Grant Payable	62,452
Capital Asset Purchases	1,014,975
Other	68,006
Total	<u>\$ 1,393,176</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance			Balance	Due in
	July 1, 2017	Additions	Deductions	June 30, 2018	One Year
Notes payable	<u>\$ 789,495</u>	<u>\$ -</u>	<u>\$ 99,087</u>	<u>\$ 690,408</u>	<u>\$ 103,676</u>

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

**IRVINE CHILD CARE PROJECT**  
**(A California Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**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.

In November 2015, the Authority purchased custodial equipment. The Authority agreed to pay \$40,500, interest free, and matures in June 2019.

Payment requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 103,676	\$ 31,497	\$ 135,173
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
2024-2025	153,739	5,101	158,840
	<u>\$ 690,408</u>	<u>\$ 111,898</u>	<u>\$ 802,306</u>

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**SUPPLEMENTARY INFORMATION**

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**IRVINE CHILD CARE PROJECT**  
**(A California Joint Powers Authority)**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
General child care grant	\$ 327,429	\$ 338,074	\$ 338,074	\$ -
Federal apportionments	265,631	239,295	239,295	-
Contract fees	1,618,577	1,600,209	1,600,209	-
Interest income	2,600	34,187	34,187	-
Other income	96,554	74,352	74,352	-
Total Revenues	<u>2,310,791</u>	<u>2,286,117</u>	<u>2,286,117</u>	<u>-</u>
<b>EXPENDITURES</b>				
Supplies	1,400	-	-	-
Insurance	59,735	-	-	-
Contract services and operating expenditures	2,774,789	2,777,519	2,777,519	-
Debt service:				
Principal	99,087	99,087	99,087	-
Interest	36,086	36,086	36,086	-
Total Expenditures	<u>2,971,097</u>	<u>2,912,692</u>	<u>2,912,692</u>	<u>-</u>
Deficiency of Revenues Under Expenditures	<u>\$ (660,306)</u>	<u>\$ (626,575)</u>	(626,575)	<u>\$ -</u>
Fund Balance at Beginning of Year			1,965,654	
Fund Balance at End of Year			<u>\$1,339,079</u>	

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, 2018**

Program	CFDA Number	Pass-Through	Program or Award Amount	Prior Year Carryover	Total	Revenue Recognized	Disbursements/ Expenditures
		Entity Identifying Number			Program or Award Amount		
<b>FEDERAL</b>							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed through California							
Department of Education:							
General Center Child Care -							
CCTR-7161	93.575/93.596	15136/13609	\$ 204,162	\$ -	\$ 204,162	\$ 204,162	\$ 204,162
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through Irvine							
Children's Fund							
Community Development							
Block Grant							
	14.218	[1]	35,133	-	35,133	35,133	35,133
Total Federal			\$ 239,295	\$ -	\$ 239,295	\$ 239,295	\$ 239,295
Program	Contract Number	Pass-Through	Program or Award Amount	Prior Year Carryover	Total	Revenue Recognized	Disbursements/ Expenditures
		Entity Identifying Number			Program or Award Amount		
<b>STATE</b>							
Child Development Division:							
General Center Child Care	CCTR-7161	23254	\$ 338,074	\$ -	\$ 338,074	\$ 338,074	\$ 338,074
TOTAL FEDERAL AND STATE			\$ 577,369	\$ -	\$ 577,369	\$ 577,369	\$ 577,369

[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, 2018**

	<b>General Child Care and Development Programs CCTR-7161</b>	<b>Non-CDE Programs</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Support			
State Apportionment			
General child care	\$ 338,074	\$ -	\$ 338,074
Federal Apportionment			
General child care	239,295	-	239,295
Total Support	<u>577,369</u>	<u>-</u>	<u>577,369</u>
Revenue			
Contract fees	-	1,600,209	1,600,209
Interest	-	34,187	34,187
Other income	-	74,352	74,352
Total Revenue	<u>-</u>	<u>1,708,748</u>	<u>1,708,748</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>577,369</u>	<u>1,708,748</u>	<u>2,286,117</u>
<b>EXPENSES</b>			
Program Services			
General child care program	577,369	-	577,369
Community services	-	234,894	234,894
Other outgo	-	110,960	110,960
General administration	-	170,749	170,749
Plant services	-	1,683,547	1,683,547
Debt service:			
Principal	-	99,087	99,087
Interest	-	36,086	36,086
Total Expenses	<u>577,369</u>	<u>2,335,323</u>	<u>2,912,692</u>
DECREASE IN NET POSITION	<u>\$ -</u>	<u>\$ (626,575)</u>	<u>\$ (626,575)</u>

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, 2018**

	Child Development Programs - Contracts
1000 CERTIFICATED SALARIES	
1100 Teachers	\$ 1,854,912
1300 Site Supervisors	698,693
Total Certificated Salaries	<u>2,553,605</u>
2000 CLASSIFIED SALARIES	
2100 Instructional Aides	47,196
2300 Clerical	165,236
2500 Food Service	24,405
Total Classified Salaries	<u>236,837</u>
3000 EMPLOYEE BENEFITS	
3300 FICA Taxes	199,055
3400 Health and Welfare	365,899
3500 State Unemployment Insurance	30,917
3600 Workers' Compensation Insurance	92,182
3800 Other Benefits	45,454
Total Employee Benefits	<u>733,507</u>
4000 BOOKS AND SUPPLIES	
4300 Instructional Supplies	208,060
4500 Other Supplies	72,975
4700 Food Supplies	137,944
Total Books and Supplies	<u>418,979</u>
5000 SERVICES AND OTHER OPERATING EXPENSES	
5100 Contracts for Personal Services	401,186
5200 Travel and Conferences	24,998
5300 Dues and Subscriptions	9,489
5400 Insurance	5,221
5500 Utilities and Housekeeping	42,027
5600 Contracts, Rents, and Leases	667,468
5800 Other Services and Expenses	108,587
Total Services and Other Operating Expenses	<u>1,258,976</u>
6000 SITES, BUILDINGS, AND NEW EQUIPMENT	
6500 Equipment	6,466
Total Sites, Buildings, and New Equipment	<u>6,466</u>
TOTAL EXPENDITURES	<u>\$ 5,208,370</u>
Indirect Cost Charged by School District	\$ 10,632
Total Cost of Contract	<u>\$ 5,219,002</u>

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, 2018**

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	<b>General Child Care and Development Programs CCTR-7161</b>
<u>Unit Cost Under \$7,500 Per Item</u>	
<b>Furniture/Equipment</b>	\$ 1,724
<b>Computer and Software</b>	4,742
Subtotal	<u>6,466</u>
<u>Unit Cost Over \$7,500 Per Item With Prior Written Approval</u>	
<b>None</b>	\$ -
Subtotal	<u>-</u>
<u>Unit Cost Over \$7,500 Per Item Without Prior Approval</u>	
<b>None</b>	\$ -
Subtotal	-
Total	<u><u>\$ -</u></u>

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, 2018**

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	<b>General Child Care and Development Programs CCTR-7161</b>
<u>Unit Cost Under \$10,000 Per Item</u>	
<b>None</b>	\$ -
Subtotal	<u>-</u>
<u>Unit Cost \$10,000 or More Per Item With Prior Written</u>	
<b>None</b>	\$ -
Subtotal	<u>-</u>
<u>Unit Cost \$10,000 or More Per Item Without Prior Approval</u>	
<b>None</b>	\$ -
Subtotal	<u>-</u>
Total	<u><u>\$ -</u></u>

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, 2018**

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	Center and Block Grant Child Development Programs
Certified salaries	\$ 26,930
Classified salaries	189,571
Employee benefits	76,448
Books and supplies	8,892
Services and other operating expenditures	66,574
Irvine Unified School District's indirect costs	10,632
Total Administrative Costs	<u>\$ 379,047</u>

See the independent auditor's report.



**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, 2018, 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 9, 2018.

**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.

## **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.



Rancho Cucamonga, California  
November 9, 2018

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**AUDITED FINAL ATTENDANCE  
AND  
FISCAL REPORT FORMS**

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

Agency Name: Irvine Child Care Project Vendor No. Q553

Fiscal Year Ended: June 30, 2018 Contract No. CCTR-7161

Independent Auditor's Name: Vavrinek, Trine, Day & Company, LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus	-	-	-	2.006	-
Full-time	-	-	-	1.700	-
Three-quarters-time	-	-	-	1.275	-
One-half-time	-	-	-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus	-	-	-	1.652	-
Full-time	-	-	-	1.400	-
Three-quarters-time	-	-	-	1.050	-
One-half-time	-	-	-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus	-	-	-	1.652	-
Full-time	-	-	-	1.400	-
Three-quarters-time	-	-	-	1.050	-
On-half-time	-	-	-	0.770	-
<i>Three Years and Older</i>					
Full-time-plus	210	-	210	1.180	247.800
Full-time	4,251	-	4,251	1.000	4,251.000
Three-quarters-time	4,698	-	4,698	0.750	3,523.500
One-half-time	8,077	-	8,077	0.550	4,442.350
<i>Exceptional Needs</i>					
Full-time-plus	-	-	-	1.416	-
Full-time	-	-	-	1.200	-
Three-quarters-time	-	-	-	0.900	-
One-half-time	-	-	-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-	-	-	1.298	-
Full-time	69	-	69	1.100	75.900
Three-quarters-time	176	-	176	0.825	145.200
One-half-time	4	-	4	0.605	2.420
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-	-	-	1.298	-
Full-time	-	-	-	1.100	-
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus	-	-	-	1.770	-
Full-time	-	-	-	1.500	-
Three-quarters-time	-	-	-	1.125	-
One-half-time	-	-	-	0.825	-
<b>TOTAL DAYS OF ENROLLMENT</b>	17,485	-	17,485		12,688.170
<b>DAYS OF OPERATION</b>	249	-	249		
<b>DAYS OF ATTENDANCE</b>	17,116	-	17,116		

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. Q553  
 Fiscal Year Ended: June 30, 2018 Contract No. CCTR-7161  
 Independent Auditor's Name: Vavrinek, Trine, Day & Company, LLP

<b>SECTION II - NONCERTIFIED CHILDREN</b> Report all children who were not certified, but who were served at the same sites as certified children <b>DAYS OF ENROLLMENT</b>	<b>COLUMN A</b> CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	<b>COLUMN B</b> AUDIT ADJUSTMENTS	<b>COLUMN C</b> CUMULATIVE FISCAL YEAR PER AUDIT	<b>COLUMN D</b> ADJUSTMENT FACTOR	<b>COLUMN E</b> ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus	-	-	-	2.006	-
Full-time	-	-	-	1.700	-
Three-quarters-time	-	-	-	1.275	-
One-half-time	-	-	-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus	-	-	-	1.652	-
Full-time	-	-	-	1.400	-
Three-quarters-time	-	-	-	1.050	-
One-half-time	-	-	-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus	-	-	-	1.652	-
Full-time	-	-	-	1.400	-
Three-quarters-time	-	-	-	1.050	-
On-half-time	-	-	-	0.770	-
<i>Three Years and Older</i>					
Full-time-plus	517	-	517	1.180	610.060
Full-time	31,813	-	31,813	1.000	31,813.000
Three-quarters-time	28,906	-	28,906	0.750	21,679.500
One-half-time	51,861	-	51,861	0.550	28,523.550
<i>Exceptional Needs</i>					
Full-time-plus	-	-	-	1.416	-
Full-time	-	-	-	1.200	-
Three-quarters-time	-	-	-	0.900	-
One-half-time	-	-	-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-	-	-	1.298	-
Full-time	6	-	6	1.100	6.600
Three-quarters-time	22	-	22	0.825	18.150
One-half-time	35	-	35	0.605	21.175
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-	-	-	1.298	-
Full-time	-	-	-	1.100	-
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus	-	-	-	1.770	-
Full-time	-	-	-	1.500	-
Three-quarters-time	-	-	-	1.125	-
One-half-time	-	-	-	0.825	-
<b>TOTAL DAYS OF ENROLLMENT</b>	113,160	-	113,160		82,672.035

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. Q553

Fiscal Year End: June 30, 2018 Contract No. CCTR-7161

Independent Auditor's Name: Vavrinek, Trine, Day & Company, LLP

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION III - REVENUE</b>			
RESTRICTED INCOME			
Child Nutrition Programs	\$27,882	\$0	\$27,882
County Maintenance of Effort (EC § 8279)	-	-	-
Uncashed Checks to Providers	-	-	-
Other: ICCP Grant	-	-	-
<b>Subtotal</b>	\$27,882	\$0	\$27,882
Transfer from Reserve	-	-	-
Family Fees for Certified Children	34,310	-	34,310
Interest Earned on Apportionments	-	-	0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	4,507,371	-	4,507,371
Head Start Program (EC § 8235 (b))	-	-	-
Other:	18,313	-	18,313
<b>TOTAL REVENUE</b>	\$4,587,876	-	\$4,587,876
<b>SECTION IV - REIMBURSABLE EXPENSES</b>			
<i>Direct Payments to Providers (FCCH Only)</i>			
1000 Certificated Salaries	2,553,605	-	2,553,605
2000 Classified Salaries	236,837	-	236,837
3000 Employee Benefits	733,507	-	733,507
4000 Books and Supplies	418,979	-	418,979
5000 Services and Other Operating Expenses	1,258,976	-	1,258,976
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment ( <i>program-related</i> )	6,466	-	6,466
6500 Replacement Equipment ( <i>program-related</i> )	-	-	-
Depreciation or Use Allowance	-	-	-
Start-Up Expenses (service level exemption)	-	-	-
Budget Impasse Credit	-	-	-
Indirect Costs. Rate: 0.17% (Rate is Self-Calculating)	10,632	-	10,632
FOR CDE-A&I USE ONLY:			
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$5,219,002	\$0	\$5,219,002
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$379,047	\$0	\$379,047

**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):

- YES  
 NO - Explain any discrepancies.

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

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

- YES  
 NO - Explain any discrepancies.

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

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

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

**IRVINE CHILD CARE PROJECT**  
**(A California Joint Powers Authority)**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**IRVINE CHILD CARE PROJECT  
(A California Joint Powers Authority)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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