

Financial Reports

ARIZONA EARLY CHILDHOOD DEVELOPMENT
AND HEALTH BOARD

FINANCIAL STATEMENTS

Year Ended June 30, 2020



**ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Arizona Early Childhood Development and Health Board
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of Arizona Early Childhood Development and Health Board ("Board"), of the State of Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board'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.

Auditors' 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 of 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Arizona Early Childhood Development and Health Board, of the State of Arizona as of June 30, 2020, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Arizona Early Childhood Development and Health Board, State of Arizona, are intended to present the financial position, and the changes in the financial position of only that portion of the Board's major funds and aggregate remaining fund information of the State of Arizona that is attributable to transactions of the Arizona Early Childhood Development and Health Board. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2020, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020 on our consideration of the Arizona Early Childhood Development and Health Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arizona Early Childhood Development and Health Board's internal control over financial reporting and compliance.

Henry + Horne, LLP

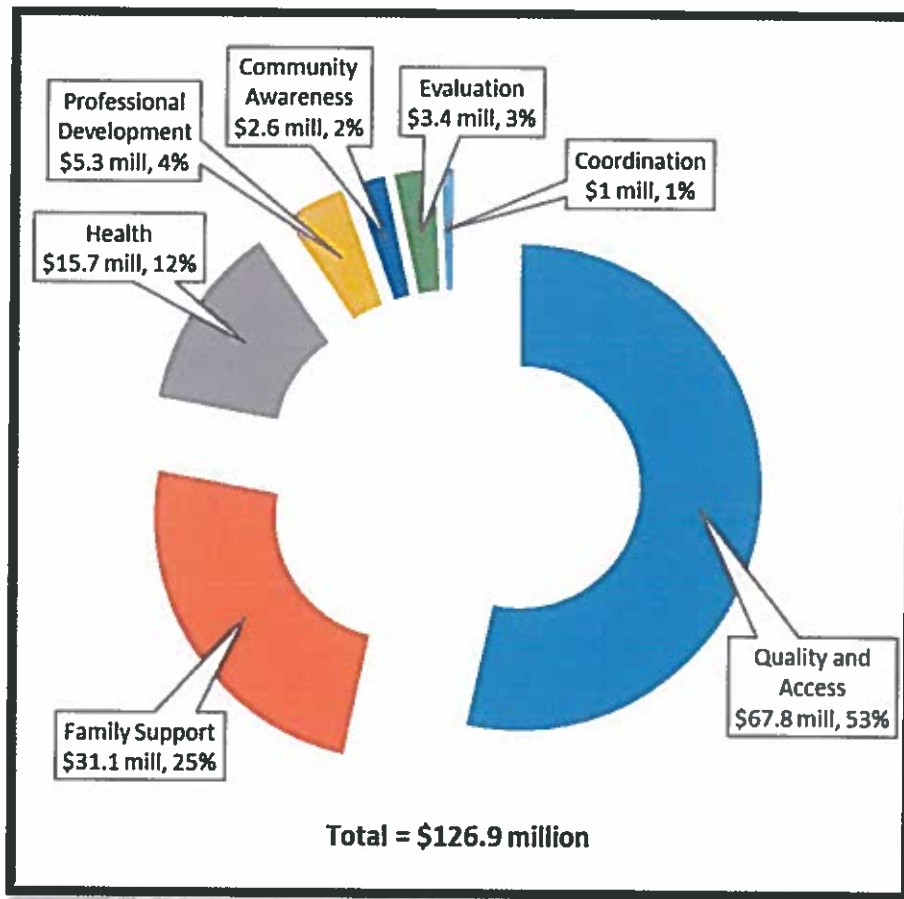
Tempe, Arizona
November 6, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

The discussion and analysis is designed to provide an analysis of the Arizona Early Childhood Development and Health Board's (Board's) financial conditions and operating results and to also inform the reader on the Board's issues and activities.

Financial Highlights

Programmatic spending from the Tobacco Funds Program Account for state fiscal year 2020 totaled \$126.9 million in the following Board goal areas:

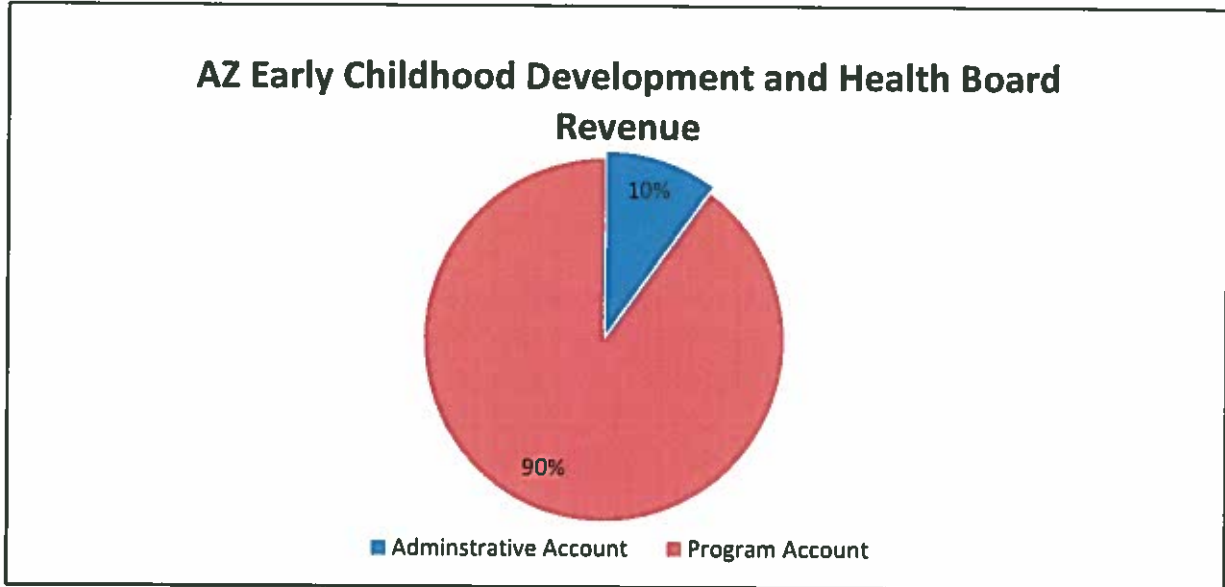


In fiscal year 2020 program expenditures made in these goals areas, throughout the state, supported programming in the following ways.

- The Quality and Access goal is in place to increase the availability, quality and diversity of learning environments that support children’s language and literacy development, emotional well-being, health and safety. This includes Quality First, the Board’s signature program that has engaged approximately 1,000 center and home based childcare providers in efforts to improve the quality of the early education services they provide.
- The Professional Development goal area focuses on developing a comprehensive and well-articulated professional development system within Arizona for teachers who work with infant, toddlers and preschoolers. Professional development strategies also address increasing those teachers’ access to college coursework and/or degrees so that they are better prepared to engage young minds.
- Under the Health goal area, funds are allocated to improve children’s health by increasing access to and expanding the use of early preventive developmental and sensory screenings to identify children with developmental delays, parent education and referrals to existing services, and increasing medical professionals’ use of best practice guidelines for preventive medical, oral and mental healthcare.
- Funds allocated to the Family Support goal area support the goal to expand families’ access to the information, services and supports they need to help their young children achieve their fullest potential. Services are voluntary and provided at levels that meet the family’s needs, from community-based parenting education to in-home coaching to address tough situations like parenting a child with special needs or dealing with multiple births.
- The overall goal for Coordination is to facilitate coordination among the federal, state, private and tribal system related to early childhood development and health to ensure a common understanding of the systems, share ownership in ensuring access to services for all children and maximize resources.
- A multi-level system of research and evaluation strategies were implemented under the Evaluation goal area to be responsive to the information needs of varied stakeholder groups including the First Things First Board, Regional Partnership Council directors and members, and Arizona citizens.
- Finally, the goal of Community Awareness is to use a variety of community-based activities and materials to increase public awareness of the critical importance of early childhood development and health.

Tobacco revenue deposited with FTF in SFY20 continued to be recorded in the following accounts.

- In fiscal year 2020, \$12.8 million of a total of \$128.5 million of tobacco tax funds collected were deposited in the Administrative account, as required by law.



Overview of the Financial Statements

The Board's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses accounting to ensure and demonstrate compliance with finance related legal requirements. The Health Board's financial information is reported in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measure cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Board's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Board's projects.

Notes to the financial statements

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the statements.

Financial Analysis

The following table and analysis discuss the financial position and changes to the financial position for the Board as a whole as of and for the year ended June 30, 2020.

Balance Sheet

The following table reflects the condensed Balance Sheet as of June 30, 2020.

	Condensed Balance Sheet (in Thousands)			
	Program Fund	Admin Fund	Non-major Funds	Total
Total assets	291,660	\$ 63,501	\$ 1,255	\$ 356,416
Total liabilities	13,529	767	797	15,094
Total fund balances	<u>\$ 278,131</u>	<u>\$ 62,734</u>	<u>\$ 458</u>	<u>\$ 341,323</u>

Total assets have decreased from fiscal year 2019. This is mainly due to a lower ending cash balance at the end of the year.

Changes in Fund Balances

The following table presents a summary of the changes in fund balance for the year ended June 30, 2020.

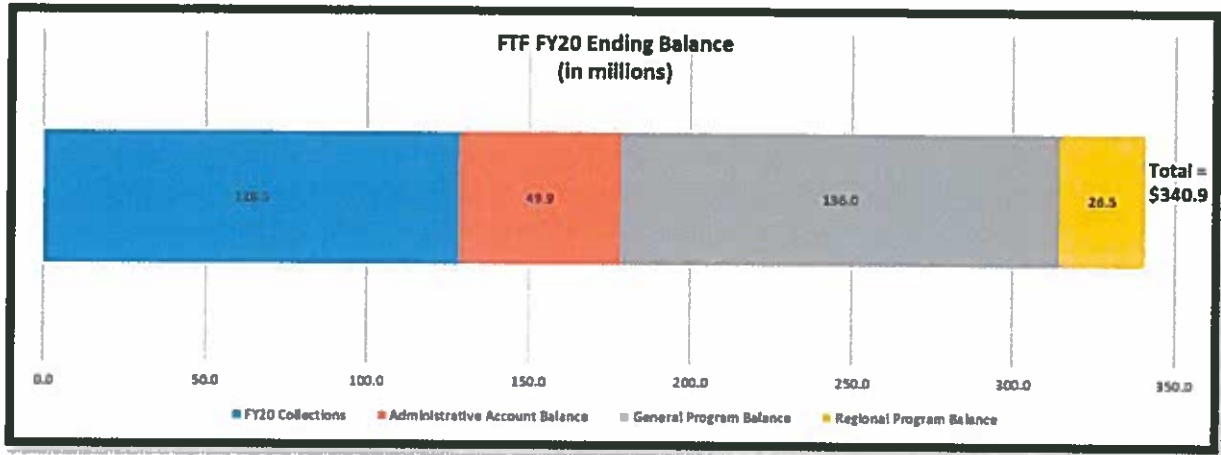
Condensed Revenues, Expenditures and Changes in Fund Balances (in Thousands)

	Program Fund	Admin Fund	Non-major Funds	Total
Program revenues				
Tobacco tax	\$ 108,605	\$ 12,067	\$ -	120,672
Investment earnings	7,032	781	6	7,819
Grants	-	-	390	390
Other revenue	-	-	194	194
Total revenues	115,637	12,849	590	129,076
Expenditures				
Personal and related expenditures	2,822	10,670	-	13,492
Professional services	2,608	599	352	3,559
Travel	44	254	-	297
Aid to others including State	118,097	0	1,824	119,921
Other expenditures	1,978	1,956	45	3,979
Total expenditures	125,548	13,479	2,221	141,248
Excess of revenues over expenditures	(9,911)	(631)	(1,631)	(12,172)
Transfers in/(out)	(1,387)	(155)	232	(1,310)
Beginning fund balances	289,429	63,519	1,857	354,805
Ending fund balances	\$ 278,131	\$ 62,734	\$ 458	\$ 341,323

First Things First officially closed State Fiscal Year 2020 on September 10, 2020. FTF presents its financial data on a modified accrued accounting basis to ensure revenues and expenditures are aligned with the State's fiscal year as well as ensuring service data figures correlate appropriately with expenditures. This final reconciliation of the fiscal year has to occur in September because FTF grantees are given 45 days after the end of the State's fiscal year (June 30th) to submit their final reimbursements.

FTF Tobacco Program and Administrative funds ended SFY20 with just under \$340.9 million in fund balance; which is a \$12.1 million drop compared to the previous year. This decline is about \$7.8 million less than what was budgeted. The primary driver to this was stronger than anticipated tobacco collections, with that source coming in \$5.7 million more than budgeted.

Of the \$340.9 million, \$128.5 million are current year (SFY20) collections which serve as the base for SFY21's expenditure budget. This leaves a marginal Fund Balance of \$212.4 million, of which \$49.9 million is in the Administrative Account, \$136 million is in the general Program Account, and \$26.5 million is held within regional carry forward. It was projected that the regional carry forward balances would decline, and the decline experienced was only \$300k less than budgeted.



Financial Analysis of the Health Board's Funds

The Board maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of governmental fund financial statements is to provide information on the near-term inflows, outflows and balances of spendable resources. The Board maintains three major governmental funds 1) program funds, 2) administrative fund and 3) grants and gifts fund. The Program Fund is the main operating fund of the Board and is used in furtherance of the objectives set forth in Arizona Revised Statutes, Title 8, Chapter 13.

The Administrative Fund is used to pay administrative expenses as well as cover some programmatic expenditures.

Budgeting Overview

When the initiative passed creating FTF (in November 2006), it dictated tax revenues would begin to be collected and accrue to the agency starting January 1, 2007 (six months into SFY07). The timing of when the agency would begin spending funds was also outlined in statute, with full spending to begin in SFY10. Statute created several allowances for earlier spending, but statute expressly acknowledged a "development phase." Annual collection of tobacco tax revenue and interest income form the basis for the budget the Board is responsible for setting each year for the subsequent year (per ARS 8-1184). In setting this budget, statute directs the Board to determine the total amount of funds necessary to support the administrative and program (statewide and regional) funding needs. Once this total spending budget is set, statute then guides how the funds within the Program area will be allocated.

Grants and Gifts Fund

According to FTF statute (ARS 8-1182) the Board may accept and spend monies from either Gifts or Grants. In SFY20, FTF spent \$2.25 million in non-tobacco funds.

Economic and Other Factors

Tobaccos Revenues

In June 2012, the FTF Board was presented the findings from economic analysis it had request be completed by the L. William Seidman Research Institute, W. P. Carey School of Business at ASU. This analysis concluded that FTF's Tobacco Tax collections will not fall as radically as previously considered. In June 2014 ASU presented the Board with updated modeling predictions which again showed a relative amount of overall stability, but also did project FTF would see modest declines over time and that depending on a number of factors, total collections could eventually dip below \$100 million. FTF was provided an update in the fall of 2016 and 2018. Another update has been presented to FTF by the ASU School of Business in the late summer of 2020, which shows tobacco tax revenue continuing to decline.

FTF has historically projected tobacco revenues would decline over time. In SFY20 however, FTF realized a gain over prior year collections amounts. This was the first year in which significant gains of the prior year were realized. The reasons for this are unknown, but speculation is that like beer and alcohol tax collections, COVID-19 had an impact. Despite this increase, FTF projects future revenues will continue to fall, and be within the range predicted by the ASU modeling.

As noted earlier, tobacco-related revenues were in total \$5.5 million more than budgeted. While tobacco tax collections were over \$5.7 million above what was budgeted, they were still within the bounds provided by the tobacco tax modeling completed for FTF by ASU's College of Business; landing right in the middle of the lower and expected ranges of the 2018 report and a bit below the top end of the range in the 2020 report.

Investment Income

FTF initially invested its funds with the state treasurer in a low yield, highly liquid investment pools. After several years of operation, and the agency moved beyond its start-up phase a substantial fund balance has grown. In order to take advantage of this balance, the Board has sought other, higher yielding investments options to bring in greater interest income. FTF implemented a new investment strategy with the Treasurer's office that continues to yield at a much higher rate of return (as planned/anticipated).

While slightly below budget, about \$200k, FTF investments with the Treasurer's Office performed very well again, particularly considering market volatility in SFY20. The \$7.8 million collected represents an important additional revenue source as the Board continues to manage the declining tobacco revenues.

Financial Contact

The Board's financial statements are designed to present users with a general overview of the finances and to demonstrate accountability. If you have any questions about the report or need additional financial information, please contact Liz Barker Alvarez, Chief Policy Advisor (602) 771-5063.

BASIC FINANCIAL STATEMENTS

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	Program Fund	Administrative Fund	Grants and Gifts Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 283,204,085	\$ 62,754,398	\$ 971,337	\$ 346,929,820
Tobacco tax receivable	6,585,339	731,704	-	7,317,043
Other receivables	1,176,609	730	-	1,177,339
Other assets	-	14,445	-	14,445
Due from other agencies	-	-	283,838	283,838
Due from other funds	693,980	-	-	693,980
TOTAL ASSETS	\$ 291,660,013	\$ 63,501,277	\$ 1,255,175	\$ 356,416,465
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Grants/other payables	\$ 13,411,429	\$ 144,961	\$ 289,983	\$ 13,846,373
Accrued liabilities	117,592	434,643	1,000	553,235
Due to other funds	-	187,780	506,200	693,980
TOTAL LIABILITIES	13,529,021	767,384	797,183	15,093,588
FUND BALANCES				
Restricted	278,130,992	62,733,893	457,992	341,322,877
TOTAL FUND BALANCES	278,130,992	62,733,893	457,992	341,322,877
TOTAL LIABILITIES AND FUND BALANCES	\$ 291,660,013	\$ 63,501,277	\$ 1,255,175	\$ 356,416,465

See accompanying notes.

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Program Fund	Administrative Fund	Grants and Gifts Fund	Total Governmental Funds
REVENUES				
Tobacco tax	\$ 108,604,996	\$ 12,067,222	\$ -	\$ 120,672,218
Investment earnings	7,032,067	781,341	5,872	7,819,280
Grants and donations	-	-	390,375	390,375
Other revenue	-	-	193,923	193,923
TOTAL REVENUES	115,637,063	12,848,563	590,170	129,075,796
EXPENDITURES				
Current:				
Personal services	2,075,476	7,798,518	-	9,873,994
Employee related expenditures	746,081	2,871,883	-	3,617,964
Professional-outside services	2,607,914	599,298	351,587	3,558,799
Travel in-state	39,362	211,481	-	250,843
Travel out-of-state	4,194	42,359	-	46,553
Aid to others including State agencies	118,096,773	222	1,824,335	119,921,330
Other operating expenditures	1,978,193	1,883,014	44,888	3,906,095
Non-capital equipment	-	72,713	-	72,713
TOTAL EXPENDITURES	125,547,993	13,479,488	2,220,810	141,248,291
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,910,930)	(630,925)	(1,630,640)	(12,172,495)
OTHER FINANCING SOURCES (USES)				
Transfers in from other state agencies	-	-	1,601,542	1,601,542
Transfers out to other state agencies	(1,386,685)	(154,630)	(1,369,862)	(2,911,177)
Total other financing sources (uses)	(1,386,685)	(154,630)	231,680	(1,309,635)
Net change in fund balances	(11,297,615)	(785,555)	(1,398,960)	(13,482,130)
FUND BALANCES				
BEGINNING OF YEAR	289,428,607	63,519,448	1,856,952	354,805,007
FUND BALANCES END OF YEAR	\$ 278,130,992	\$ 62,733,893	\$ 457,992	\$ 341,322,877

See accompanying notes.

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Early Childhood Development and Health Board (Board) is an agency of the State of Arizona (State). The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units for one or more individual funds and not the overall government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Board was established by Ballot Proposition 203 (Prop 203) in the November 7, 2006, State of Arizona general election to provide programs and services to pre-kindergarten children and their families for the purpose of assisting child development by providing education and other support, including parent and family support programs, child care, preschool, health screenings and access to preventive health services. As required by Arizona Revised Statutes (A.R.S.) §16-651, on December 7, 2006, the Governor issued the Governor Issues Elections Proclamation declaring Prop 203 into law immediately and effectively creating the Board.

The Board is part of the State of Arizona's reporting entity. However, the fund financial statements are intended to present solely the transactions of the Board for the current year. These statements do not present the financial position or changes in financial position of the State. The State issues a publicly available Comprehensive Annual Financial Report (CAFR). Copies of the CAFR are posted on the Arizona Department of Administration's General Accounting Office's (GAO) Web site at www.gao.state.az.us or can be obtained by contacting the GAO at 100 North 15th Avenue, 3rd Floor, Suite 302, Phoenix, Arizona, 85007.

The A.R.S. §8-1186 requires an annual audit of the Board's funds, accounts, and sub-accounts by an independent certified public accountant within 120 days after the end of the fiscal year. The accompanying financial statement serves as the basis for this audit.

Measurement Focus/Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

Tobacco tax income associated with the current fiscal period is considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenues as soon as all eligibility requirements imposed by the grantor or provider have been met. Other revenue is not susceptible to accrual because generally they are not measurable until received in cash.

The Board reports the following major special revenue funds:

Program Fund – A.R.S. §8-1181(D) requires that 90 percent of monies received pursuant to A.R.S. §42-3371 shall be deposited into the Program Fund. Monies deposited into this fund are to be used in furtherance of the objectives set forth in Prop 203.

Administrative Fund – Ten percent of the monies received by the Board pursuant to A.R.S. §42-3371 shall be deposited into an Administrative Fund. Monies deposited into the Administrative Fund are used to pay administrative expenses, including the Board's staff salaries.

Grants and Gifts Fund – This other special revenue fund reports the activity from federal, state and local grants as well as private gifts to the Board. Activity in this fund is restricted by grantors and donors for designated purposes.

Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the Board upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

Interfund Receivables and Payables

Interfund receivables and payables represent short-term cash loans at year end. All such balances are expected to be repaid in the next fiscal year.

Investment Valuation

Arizona Revised Statutes (ARS) authorize the Board to invest public monies in the State Treasurer's Local Government Investment Pool. As required by GASB Accounting Standards Codification, investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties.

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances - Restricted – Governmental fund balances are classified as restricted in that amounts 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.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS HELD BY THE STATE TREASURER

All cash is deposited or invested with the Arizona State Treasurer (Treasurer). The Treasurer is part of the State's financial reporting entity and issues a separately published Annual Financial Report. A copy of the Treasurer's Annual Financial Report can be obtained from its Web site at www.aztreasury.gov or by contacting the Treasurer's Office at 1700 West Washington St., 1st Floor, Phoenix, AZ, 85007-2812.

A.R.S. requires state agencies' monies to be deposited with the Treasurer, and further requires those deposits to be invested in various pooled funds. Cash and investments held by the Treasurer represent the Board's portion of those monies. The Treasurer invests idle monies of the state agencies in internal investment pools (Pool 3 and Pool 16) and distributes interest to the participants. Interest earned from these invested monies is allocated monthly based on the average daily balance. Participant shares in the pool are purchased and sold based on the net asset value of the shares, and a participant's portion of the pool is not identified with specific investments. Accordingly, the Board's portion of these deposits and investments approximates the Board's value of pool shares.

The Treasurer's internal investment Pool 3 and Pool 16 are not required to be registered (and are not registered) with the Securities and Exchange Commission under the Investment Company Act of 1940. In accordance with A.R.S. §35-311, the State Board of Investments reviews the activities and performance of the pool monthly.

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS HELD BY THE STATE TREASURER (Continued)

At June 30, 2020, the Board's deposits with the Treasurer were as follows:

	Program Fund	Administrative Fund	Grants and Gifts Fund	Total
Cash	\$ 6,842,497	\$ 1,286,760	\$ 630,856	\$ 8,760,113
Investments-Pool 3 & Pool 16	276,361,588	61,467,638	340,481	338,169,707
	<u>\$ 283,204,085</u>	<u>\$ 62,754,398</u>	<u>\$ 971,337</u>	<u>\$ 346,929,820</u>

NOTE 3 RETIREMENT AND PENSION PLAN

Arizona State Retirement Plan

Plan Description - The Arizona State Retirement System (ASRS) administers a cost sharing multiple-employer defined benefit pension plan that covers employees of the Board. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Arizona State Retirement System, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling 602-240-2200 or 1-800-621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Board's contribution rates. For the year ended June 30, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11% (11.94% retirement and 0.17% long-term disability) of the member's annual covered payroll and the Board was required by statute at the actuarially determined rate of 12.11% (11.45% retirement, 0.49% for health insurance premium, and 0.17% long-term disability) of the members' annual covered payroll. The Board's contributions to ASRS for the years ended June 30, 2020, 2019, and 2018 were \$1,117,710, \$1,047,411 and \$1,005,191, respectively.

Years ended June 30,	Retirement	Health Insurance	Long-term Disability	Total
2020	\$ 1,056,795	\$ 45,225	\$ 15,690	\$ 1,117,710
2019	992,378	40,831	14,202	1,047,411
2018	944,533	48,526	12,132	1,005,191

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 4 RESTRICTED FUND BALANCE

The Board has restricted fund balances in the Program Fund and Administrative Fund due to voter-imposed legislation which imposed a state-wide tobacco tax to provide funding for quality early childhood development and health. The Grants and Gifts Fund balance is restricted due to grantor restrictions imposed at the time grants are awarded.

NOTE 5 INTERAGENCY SERVICE AGREEMENT

The Board executed an interagency service agreement with the Arizona Department of Health Services ("ADHS") in the amount of \$1,752,394 to provide financial support to the Board for costs associated with securing evidence-based early intervention home visitation services through the Nurse Family Partnership and/or Healthy Families models to eligible women in identified Community Health Analysis Areas in Arizona. Transfers into the Board's accounts for year ended June 30, 2020 amounted to \$1,123,547 from ADHS. The Agreement is effective through February 28, 2026.

The Board executed an interagency service agreement with the Arizona Department of Education (ADE) in the amount of \$3,086,994 to provide financial support to the Board for developing and enhancing capacity to deliver high-quality preschool programming as well as implement and sustain high-quality preschool for eligible children in selected high-need communities. Transfers into the Board's accounts for year ended June 30, 2020 amounted to \$46,680 from ADE. The Agreement ended December 31, 2019, upon agreement end date the board transferred out \$1,344,372 to ADE for unspent agreement funds.

The Board executed an interagency service agreement with the Arizona Department of Economic Security ("ADES") in the amount of \$300,000 to provide financial support to the Board for costs associated with the implementation of the Quality First, Arizona's Quality Improvement and Rating System (QIRS), Redesign Field Test in order to support the effort of expanding the availability of quality early care and education settings in Arizona. Transfers into the Board's accounts for year ended June 30, 2020 amounted to \$300,000 from ADES to the Board at June 30, 2020. The Agreement ends June 30, 2021.

The Board executed an interagency service agreement with the Arizona Health Care Cost Containment System ("AHCCS") in the amount of \$244,800 to provide financial support to the Board for costs associated with Early Childhood Mental Health Consultations (ECMHC) for home visitors, particularly with respect to identifying and addressing mental health issues. Transfers into the Board's accounts for year ended June 30, 2020 amounted to \$128,501 from AHCCS to the Board at June 30, 2020. The Agreement is effective through September 29, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PROGRAM FUND
Year Ended June 30, 2020

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Tobacco tax	\$ 103,500,000	\$ 108,604,996	\$ 5,104,996
Investment earnings	7,200,000	7,032,067	(167,933)
TOTAL REVENUES	<u>110,700,000</u>	<u>115,637,063</u>	<u>4,937,063</u>
EXPENDITURES			
Current			
Personal services	2,284,321	2,075,476	208,845
Employee related expenditures	944,777	746,081	198,696
Professional and outside services	2,021,405	2,607,914	(586,509)
Travel in-state	42,353	39,362	2,991
Travel out-of-state	-	4,194	(4,194)
Aid to others including State agencies	120,170,208	118,096,773	2,073,435
Other operating expenditures	1,375,982	1,978,193	(602,211)
Non-capital equipment	6,642	-	6,642
TOTAL EXPENDITURES	<u>126,845,688</u>	<u>125,547,993</u>	<u>1,297,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,145,688)	(9,910,930)	6,234,758
OTHER FINANCING SOURCES (USES)			
Transfers out to other state agencies	(750,000)	(1,386,685)	(636,685)
Net change in fund balances	(16,895,688)	(11,297,615)	5,598,073
FUND BALANCE BEGINNING OF YEAR	<u>289,428,607</u>	<u>289,428,607</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 272,532,919</u>	<u>\$ 278,130,992</u>	<u>\$ 5,598,073</u>

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – ADMINISTRATIVE FUND
Year Ended June 30, 2020

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Tobacco tax	\$ 11,500,000	\$ 12,067,222	\$ 567,222
Investment earnings	800,000	781,341	(18,659)
TOTAL REVENUES	<u>12,300,000</u>	<u>12,848,563</u>	<u>548,563</u>
EXPENDITURES			
Current			
Personal services	8,136,963	7,798,518	338,445
Employee related expenditures	3,254,787	2,871,883	382,904
Professional and outside services	867,995	599,298	268,697
Travel in-state	393,770	211,481	182,289
Travel out-of-state	71,907	42,359	29,548
Aid to others including State agencies	-	222	(222)
Other operating expenditures	2,176,751	1,883,014	293,737
Non-capital equipment	211,491	72,713	138,778
TOTAL EXPENDITURES	<u>15,113,664</u>	<u>13,479,488</u>	<u>1,634,176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,813,664)</u>	<u>(630,925)</u>	<u>2,182,739</u>
OTHER FINANCING SOURCES (USES)			
Transfers out to other state agencies	(180,000)	(154,630)	25,370
Net change in fund balances	<u>(2,993,664)</u>	<u>(785,555)</u>	<u>2,208,109</u>
FUND BALANCE BEGINNING OF YEAR	<u>63,519,448</u>	<u>63,519,448</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 60,525,784</u>	<u>\$ 62,733,893</u>	<u>\$ 2,208,109</u>

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GRANTS AND GIFTS FUND
Year Ended June 30, 2020

	Budgeted Amounts		Variance with Final Budget- Positive (Negative)
	Original & Final	Actual Amounts	
REVENUES			
Investment earnings	\$ -	\$ 5,872	\$ 5,872
Grants and donations	-	390,375	390,375
Other revenue	279,275	193,923	(85,352)
TOTAL REVENUES	279,275	590,170	310,895
EXPENDITURES			
Current:			
Professional-outside services	335,447	351,587	(16,140)
Travel out-of-state	2,000	-	2,000
Aid to others including State agencies	1,909,398	1,824,335	85,063
Other operating expenditures	119,000	44,888	74,112
TOTAL EXPENDITURES	2,365,845	2,220,810	145,035
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,086,570)	(1,630,640)	455,930
OTHER FINANCING SOURCES (USES)			
Transfers in from other state agencies	492,059	1,601,542	1,109,483
Transfers out to other state agencies	-	(1,369,862)	(1,369,862)
Total other financing sources (uses)	492,059	231,680	(260,379)
Net change in fund balances	(1,594,511)	(1,398,960)	195,551
FUND BALANCE BEGINNING OF YEAR	1,856,952	1,856,952	-
FUND BALANCE END OF YEAR	\$ 262,441	\$ 457,992	\$ 195,551

REPORT ON INTERNAL CONTROL AND COMPLIANCE



INDEPENDENT AUDITORS' 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

The Board of Directors
Arizona Early Childhood Development and Health Board
Phoenix, Arizona

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 each major fund and the aggregate remaining fund information of Arizona Early Childhood Development and Health Board, Arizona (Board), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Arizona Early Childhood Development and Health Board's basic financial statements, and have issued our report thereon dated November 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arizona Early Childhood Development and Health Board's internal control over financial reporting (internal control) as a basis for designing 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Arizona Early Childhood Development and Health Board'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 entity'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 Arizona Early Childhood Development and Health Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Horne, LLP

Tempe, Arizona
November 6, 2020



Board of Directors
Arizona Early Childhood Development and Health Board

We have audited the financial statements of Arizona Early Childhood Development and Health Board for the year ended June 30, 2020, and have issued our report thereon dated November 6, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated May 10, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Arizona Early Childhood Development and Health Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. However, the standards do not require us to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arizona Early Childhood Development and Health Board are described in Note 1 to the financial statements. No new accounting policies were adopted and application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the Arizona Early Childhood Development and Health Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the nature of the Agency and its operations, there are no estimates that are particularly sensitive

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Attached is a summary of adjustments made to the financial statements that have been recorded by management. Other than those that are trivial, we did not identify any uncorrected misstatements to the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached copy of the management representation letter dated November 6, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion & analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Internal Controls Over Financial Reporting

We were engaged to plan and perform our audit in accordance with *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States. We have issued a separate GAS report dated November 6, 2020 in accordance with these standards. Our report did not identify any instances of deficiencies in internal control that we considered to be a material weakness or significant deficiency as defined in that report.

Restriction on Use

This communication is intended solely for the information and use of Arizona Early Childhood Development and Health Board's Board of Directors and management of and is not intended to be, and should not be, used by anyone other than these specified parties.

Henry + Home, LLP

Tempe, Arizona
November 6, 2020

Henry & Horne, LLP
2055 E Warner Rd, Ste 101
Tempe, AZ 85284

This representation letter is provided in connection with your audit of the financial statements of Arizona Early Childhood Development and Health Board ("Board"), which comprise the respective financial position of the governmental activities and each major fund as of June 30, 2020, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date this letter is signed, the following representations made to you during your audit.

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 10, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with generally accepted accounting principles, and we have not consulted a lawyer concerning litigation claims or assessments.
- 9) Guarantees, whether written or oral, under which the Arizona Early Childhood Development and Health Board is contingently liable, if any, have been properly recorded or disclosed.
- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Arizona Early Childhood Development and Health Board from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Arizona Early Childhood Development and Health Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Arizona Early Childhood Development and Health Board and involves
 - o Management,
 - o Employees who have significant roles in internal control, or
 - o Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Arizona Early Childhood Development and Health Board's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you the identity of the Arizona Early Childhood Development and Health Board's related parties and all the related party relationships and transactions of which we are aware.
- 17) There have been all communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- 19) The Arizona Early Childhood Development and Health Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balance.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 21) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 22) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 24) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 25) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 26) The Arizona Early Childhood Development and Health Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) The Arizona Early Childhood Development and Health Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 28) The financial statements properly classify all funds and activities.
- 29) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 30) Components and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

- 31) Investments are properly valued.
- 32) Provisions for uncollectible receivables, if applicable, have been properly identified and recorded.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) Interfund and internal balances have been appropriately classified and reported.
- 35) Deposits and investments are properly classified as to risk and are properly disclosed.
- 36) We have appropriately disclosed the Arizona Early Childhood Development and Health Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 37) We are in agreement with the adjusting journal entries you have proposed and summarized in the accompanying schedule, and they have been posted to the organization's accounts.
- 38) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 39) To the extent our normal procedures and controls related to our financial close or other reporting processes at any of our locations were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- 40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

41) In regards to the nonattest services we have:

- a. Assumed all management responsibilities.
- b. Overseen the services by designating an individual who possesses suitable skill, knowledge, or experience.
- c. Evaluated the adequacy and results of the services performed.
- d. Accepted responsibility for the results of the services.
- e. Retained a copy of the work products prepared by you for our records.

The nonattest services provided by you are:

- a. Posting any standard, adjusting, or correcting journal entries that you have proposed and have been approved by us.
- b. Preparation of financial statements
- c. Aiding management in preparing the management discussion and analysis (MD&A) using firm templates.

Furthermore, we have reviewed and approved the financial statements and related notes.


Signature

11/6/2020

Title

Client: **0408217 - Arizona Early Childhood Development and Health Board**
 Engagement: **AECDHB - Arizona Early Childhood Development and Health Board**
 Period Ending: **6/30/2020**
 Trial Balance: **05.01 - TB**
 Workpaper: **05.04 - Combined Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry				
Adjusting Journal Entry JE # 1		V900		
Entry for F/S statement purposes only to reclass an ADE refund to transfers out. CLIENT DOES NOT NEED TO POST.				
2000.9101	Operating Transfers Out		1,344,372.00	
2000.4911	Federal Transfers In			1,344,372.00
Total			1,344,372.00	1,344,372.00
	Total Adjusting Journal Entry		1,344,372.00	1,344,372.00
	Total All Journal Entries		1,344,372.00	1,344,372.00