

# **Arizona Early Childhood Development and Health Board**

Financial Statements

June 30, 2023

# Arizona Early Childhood Development and Health Board

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## **Independent Auditors' Report**

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

### ***Opinions***

We have audited the accompanying financial statements of the each major fund of Arizona Early Childhood Development and Health Board (the Board), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2023 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Board are intended to present the financial position, the changes in 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 Board. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arizona Early Childhood Development and Health Board's basic financial statements. The accompanying management's discussion and analysis and required supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, 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, management's discussion and analysis and required supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 6, 2023

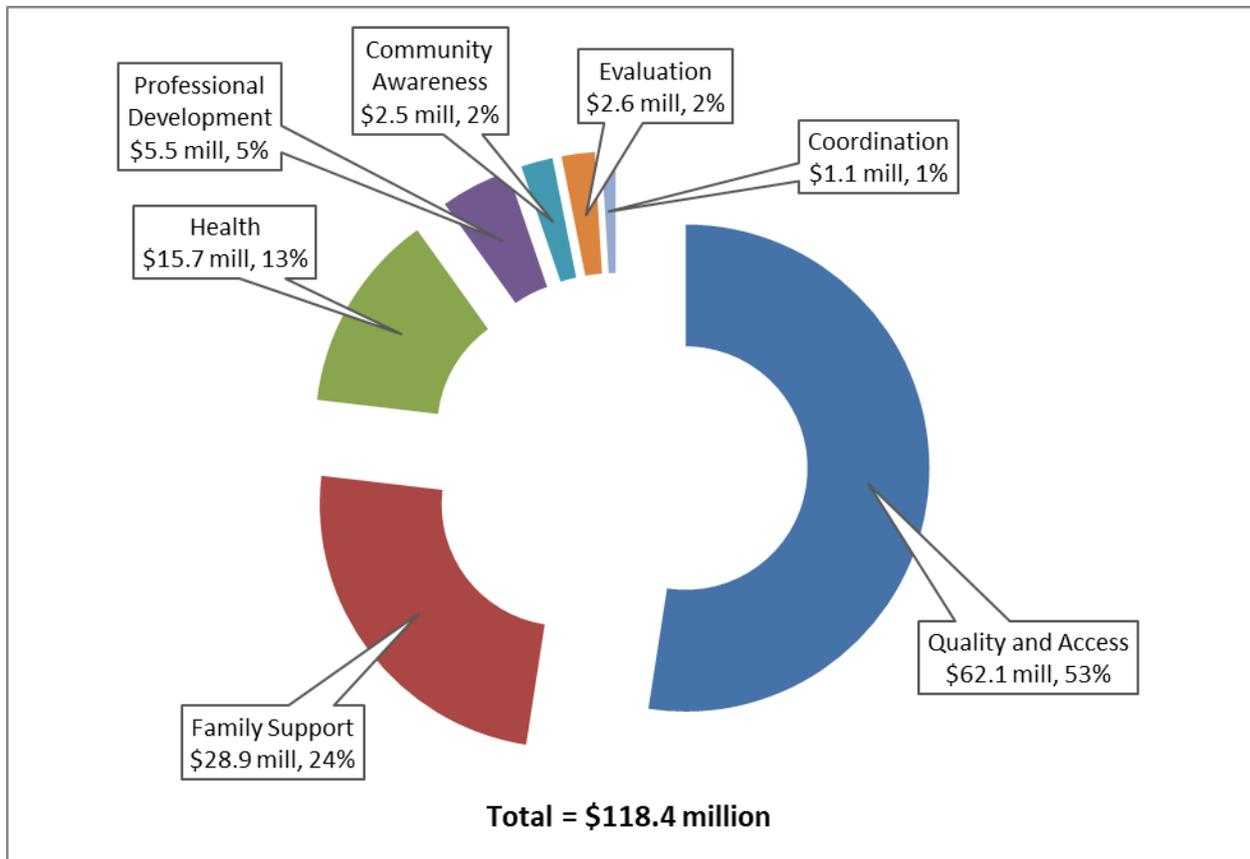
# Arizona Early Childhood Development and Health Board

Management's Discussion and Analysis  
Year Ended June 30, 2023

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 2023 (SFY 2023) totaled \$118.4 million in the following Board goal areas:



## Arizona Early Childhood Development and Health Board

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Management's Discussion and Analysis  
Year Ended June 30, 2023

In fiscal year 2023 program expenditures made in these goals areas, throughout the state, supported programming in the following ways.

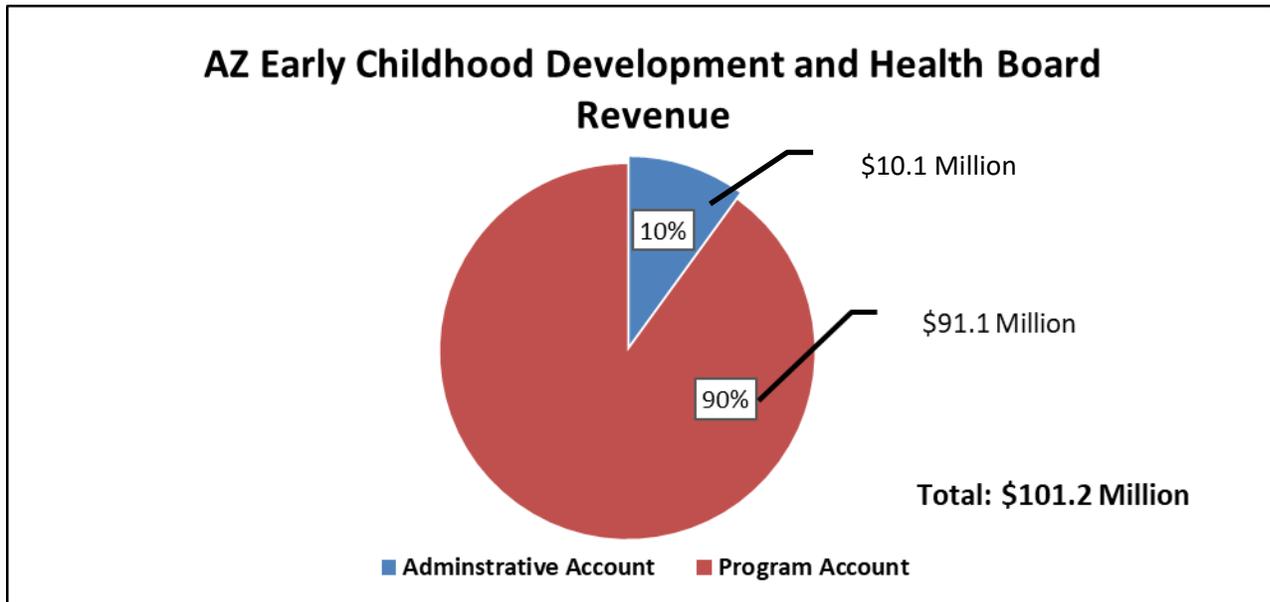
- The Quality and Access goal is in place to increase the availability, quality and diversity of learning environments that support children's language and literacy development, emotional well-being, health and safety. This includes Quality First, the Board's signature program that has engaged approximately 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.

# Arizona Early Childhood Development and Health Board

Management's Discussion and Analysis  
Year Ended June 30, 2023

Tobacco revenue deposited with FTF in SFY23 continued to be recorded in the following accounts.

- In fiscal year 2023, \$10.1 million of a total of \$101.2 million was deposited into 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.

# Arizona Early Childhood Development and Health Board

Management's Discussion and Analysis  
Year Ended June 30, 2023

## 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 tables 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, 2023.

#### Balance Sheet

The following table reflects the condensed Balance Sheet as of June 30, 2023.

	Condensed Balance Sheet (in Thousands)			
	Program Fund	Admin Fund	Non-major Funds	Total
Total assets	\$ 251,257	\$ 54,117	\$ 33,331	\$ 338,706
Total liabilities	15,637	615	30,799	47,051
Total fund balances	<u>\$ 235,620</u>	<u>\$ 53,502</u>	<u>\$ 2,532</u>	<u>\$ 291,654</u>

Total assets have decreased from fiscal year 2022. This is due to increased program costs and lower tax revenue.

# Arizona Early Childhood Development and Health Board

Management's Discussion and Analysis  
Year Ended June 30, 2023

## Changes in Fund Balances

The following table presents a summary of the changes in fund balance for the year ended June 30, 2023.

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

	Program Fund	Admin Fund	Non-major Funds	Total
<b>Program revenues</b>				
Tobacco tax	\$ 91,123	\$ 10,125	\$ -	\$ 101,248
Investment earnings	5,844	649	18	6,512
Grants	-	-	4,219	4,219
Other revenue	-	-	30	30
<b>Total revenues</b>	<b>96,967</b>	<b>10,774</b>	<b>4,267</b>	<b>112,008</b>
<b>Expenditures</b>				
Personal and related expenditures	2,637	12,125	245	15,007
Professional services	2,397	935	3,261	6,593
Travel	41	178	7	227
Aid to others including State	110,388	383	37,793	148,564
Other expenditures	2,049	2,592	26,580	31,221
<b>Total expenditures</b>	<b>117,512</b>	<b>16,214</b>	<b>67,887</b>	<b>201,612</b>
Excess of revenues over expenditures	(20,545)	(5,439)	(63,620)	(89,604)
Transfers in/(out)	(493)	(190)	65,272	64,588
Beginning fund balances	256,659	59,131	880	316,670
Ending fund balances	<u>\$ 235,620</u>	<u>\$ 53,502</u>	<u>\$ 2,532</u>	<u>\$ 291,654</u>

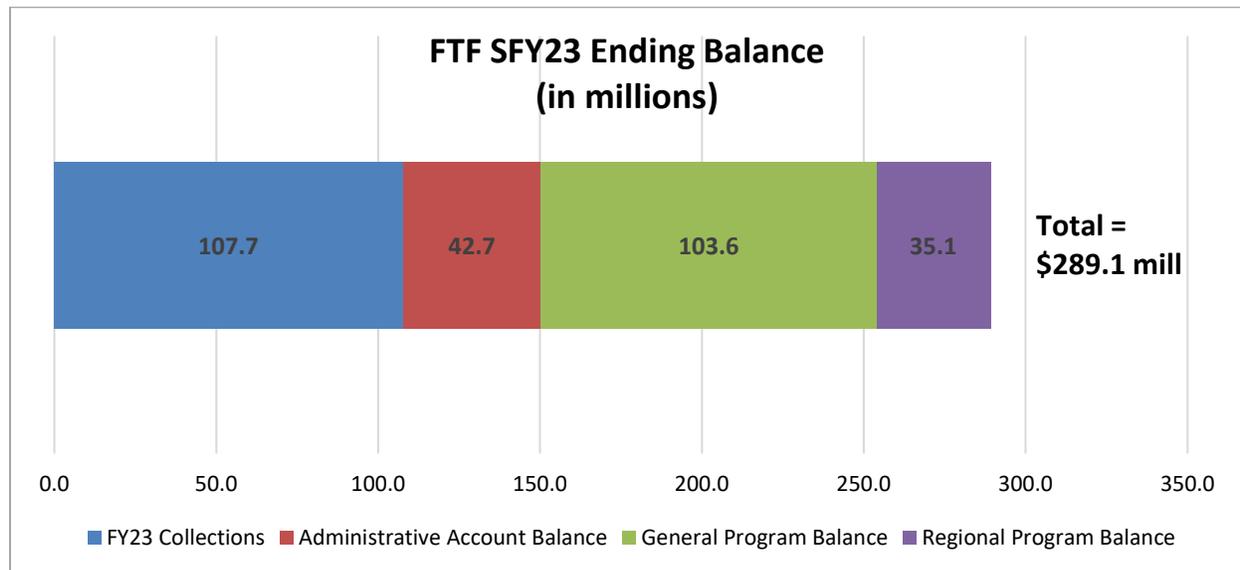
First Things First officially closed State Fiscal Year 2023 on September 8, 2023. FTF presents its financial data on a modified accrued accounting basis to ensure revenues and expenditures are aligned with the State's fiscal year as well as to ensure service data figures correlate appropriately with 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 30) to submit their final reimbursements.

FTF ended SFY23 with \$289.1 million in fund balance, which is a \$26.7 million drop compared to the previous year. However, due to lower spending levels than what was budgeted, this decline is only about \$3.3 million more than budget. Underspending in the Program budget, by \$8.2 million largely offset a \$12 million dollar drop in revenues from budget.

# Arizona Early Childhood Development and Health Board

Management's Discussion and Analysis  
Year Ended June 30, 2023

Of the \$289.1 million Admin and Program Account fund balance, \$107.7 million comes from current year (SFY23) collections, which serve as the base for SFY24's expenditure budget of \$131.5 million. This leaves a marginal fund balance of \$181.4 million, of which \$42.7 million is in the Administrative Account, \$103.6 million is in the general Program Account, and \$35.1 million is held within regional carry forward.



## 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 funds.

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

According to FTF statute (ARS 8-1182) the Board may accept and spend monies from either Gifts or Grants. In SFY23, FTF spent \$67.9 million in non-tobacco funds. The Grants and Gifts funds are used primarily to support Program Fund related expenditures.

# Arizona Early Childhood Development and Health Board

Management's Discussion and Analysis  
Year Ended June 30, 2023

## 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.

## 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, 2018, and 2020. Another update was presented to FTF by the ASU School of Business in the early summer of 2022, which shows tobacco tax revenue continuing to decline.

FTF has historically projected tobacco revenues would decline over time. Tobacco collections were significantly less than anticipated in SFY23; a \$14.5 million single year decline. Interest earnings, however, were higher than budgeted offsetting these revenue losses by \$2.5 million. In total, tobacco-related revenues were down from budget by \$12 million. Tobacco tax collections were at the very low end the projections provided by the tobacco tax modeling completed for FTF by ASU's College of Business in the 2022 report.

### Investment Income

The Board made the decision to invest a vast majority of its cash into a separately managed fund (known today as Pool 16). The market returned a rate for this pool was 2.77%. Interest rates fluctuate due to market conditions.

In SFY21, the Board approved moving \$40 million of the pool 16 investments to a Treasurer's managed endowment account. FTF will report unrealized gains (or loss) as part of its financial position. As noted previously, interest income in SFY23 was \$2.5 million above budget.

## 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 Angela Rabago, Chief External Affairs Officer at 602-771-5020.

# Arizona Early Childhood Development and Health Board

Balance Sheet  
 Governmental Funds  
 June 30, 2023

	<u>Program Fund</u>	<u>Administrative Fund</u>	<u>Grants and Gifts Fund</u>	<u>Governmental Funds</u>
<b>Assets</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 236,446,253	\$ 34,744,842	\$ 11,324,123	\$ 282,515,218
Tobacco tax receivable	5,730,912	636,768	-	6,367,680
Other receivables	8,160,078	-	-	8,160,078
Due from other agencies	-	-	18,478,237	18,478,237
Grants receivable	-	-	3,528,542	3,528,542
Due from other funds	919,844	18,735,684	-	19,655,528
	<u>251,257,087</u>	<u>54,117,294</u>	<u>33,330,902</u>	<u>338,705,283</u>
Total assets	<u>\$ 251,257,087</u>	<u>\$ 54,117,294</u>	<u>\$ 33,330,902</u>	<u>\$ 338,705,283</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Grants/other payables	\$ 15,584,122	\$ 382,431	\$ 11,138,392	\$ 27,104,945
Accrued liabilities	52,526	233,012	5,026	290,564
Due to other funds	-	-	19,655,528	19,655,528
	<u>15,636,648</u>	<u>615,443</u>	<u>30,798,946</u>	<u>47,051,037</u>
Total liabilities	<u>15,636,648</u>	<u>615,443</u>	<u>30,798,946</u>	<u>47,051,037</u>
<b>Fund Balances</b>				
Restricted	<u>235,620,439</u>	<u>53,501,851</u>	<u>2,531,956</u>	<u>291,654,246</u>
Total fund balances	<u>235,620,439</u>	<u>53,501,851</u>	<u>2,531,956</u>	<u>291,654,246</u>
Total liabilities and fund balances	<u>\$ 251,257,087</u>	<u>\$ 54,117,294</u>	<u>\$ 33,330,902</u>	<u>\$ 338,705,283</u>

See notes to financial statements

## Arizona Early Childhood Development and Health Board

### Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	<u>Program Fund</u>	<u>Administrative Fund</u>	<u>Grants and Gifts Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Tobacco tax	\$ 91,123,021	\$ 10,124,780	\$ -	\$ 101,247,801
Investment earnings	5,844,037	649,337	18,342	6,511,716
Grants and donations	-	-	4,219,228	4,219,228
Other revenue	-	-	29,566	29,566
	<u>96,967,058</u>	<u>10,774,117</u>	<u>4,267,136</u>	<u>112,008,311</u>
<b>Expenditures</b>				
Current:				
Personal services	1,899,213	8,733,809	179,631	10,812,653
Employee related expenditures	737,553	3,391,300	65,262	4,194,115
Professional-outside services	2,397,335	934,729	3,261,292	6,593,356
Travel in-state	35,417	151,915	7,220	194,552
Travel out-of-state	5,622	26,513	64	32,199
Aid to others including State agencies	110,387,964	382,890	37,793,099	148,563,953
Other operating expenditures	2,047,580	1,918,902	26,580,332	30,546,814
Noncapital equipment	1,119	111,950	-	113,069
Debt service:				
Lease principal	-	546,504	-	546,504
Lease interest	-	15,016	-	15,016
	<u>117,511,803</u>	<u>16,213,528</u>	<u>67,886,900</u>	<u>201,612,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,544,745)</u>	<u>(5,439,411)</u>	<u>(63,619,764)</u>	<u>(89,603,920)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in from other state agencies	-	-	65,271,854	65,271,854
Transfers out to other state agencies	<u>(493,467)</u>	<u>(190,000)</u>	<u>-</u>	<u>(683,467)</u>
Total other financing sources (uses)	<u>(493,467)</u>	<u>(190,000)</u>	<u>65,271,854</u>	<u>64,588,387</u>
Net change in fund balances	(21,038,212)	(5,629,411)	1,652,090	(25,015,533)
<b>Fund Balances, Beginning</b>	<u>256,658,651</u>	<u>59,131,262</u>	<u>879,866</u>	<u>316,669,779</u>
<b>Fund Balances, Ending</b>	<u>\$ 235,620,439</u>	<u>\$ 53,501,851</u>	<u>\$ 2,531,956</u>	<u>\$ 291,654,246</u>

See notes to financial statements

# Arizona Early Childhood Development and Health Board

Notes to Financial Statements  
June 30, 2023

## 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 Annual Comprehensive Financial Report (ACFR). Copies of the ACFR are posted on the Arizona Department of Administration's General Accounting Office's (GAO) Web site at [www.gao.state.az.us](http://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.

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% 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.

# Arizona Early Childhood Development and Health Board

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Notes to Financial Statements  
June 30, 2023

**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.

## Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## 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.

## Leases

The Board recognizes lease receivables and principal/interest expenditures with an initial, individual value of \$500,000 or more. The Board uses the State of Arizona's estimated incremental borrowing rate to measure lease receivables and liabilities unless it can readily determine the interest rate implicit in the lease. The Board's estimated incremental borrowing rate is based on the state-wide determine incremental borrowing rate.

# Arizona Early Childhood Development and Health Board

Notes to Financial Statements

June 30, 2023

## 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.

## 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](http://www.aztreasury.gov) or by contacting the Treasurer's Office at 1700 West Washington St., 1<sup>st</sup> 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 Board also invests with the Treasurer's endowment trust fund. The Treasurer's endowment trust fund is an investment vehicle for longer term participant objectives. The participants in this trust fund receive shares based upon the value of the shares at the time of purchase. Investments will be co-mingled with other participants; endowment investments will be held in accordance with A.R.S. §35-314.03. The amount initially invested with the trust fund in fiscal year 2021 is intended to be held for a period of at least five years in order to obtain a 4% rate of return thereafter. The Board can divest the initial investment in the trust fund at any time, but may incur a penalty for doing so before the end of the five year lock out period. The fund invest 60% into equity indexing and 40% into active fixed income. The fund is currently unrated.

The Treasurer's internal investment Pool 3 and Pool 16, and the endowment trust fund, 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.

At June 30, 2023, the Board's deposits with the Treasurer were as follows:

	<b>Program Fund</b>	<b>Administrative Fund</b>	<b>Grants and Gifts Fund</b>	<b>Total</b>
Cash	\$ 10,452,766	\$ 2,867,940	\$ 10,711,321	\$ 24,032,027
Investments, Pool 3 and Pool 16	189,993,487	27,876,902	612,802	218,483,191
Endowment fund trust	36,000,000	4,000,000	-	40,000,000
<b>Total</b>	<b>\$ 236,446,253</b>	<b>\$ 34,744,842</b>	<b>\$ 11,342,123</b>	<b>\$ 282,515,218</b>

# Arizona Early Childhood Development and Health Board

Notes to Financial Statements

June 30, 2023

## 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, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% retirement and 0.14% long-term disability) of the member's annual covered payroll and the Board was required by statute at the actuarially determined rate of 12.17% (11.92% retirement, 0.11% for health insurance premium, and 0.14% long-term disability) of the members' annual covered payroll. The Board's contributions to ASRS for the years ended June 30, 2023, 2022 and 2021 were \$1,190,109, \$1,125,336 and \$1,141,421, respectively.

	<u>Retirement</u>	<u>Health Insurance</u>	<u>Long-Term Disability</u>	<u>Total</u>
Years ended June 30:				
2023	\$ 1,165,661	\$ 10,757	\$ 13,691	\$ 1,190,109
2022	1,089,064	19,043	17,229	1,125,336
2021	1,088,180	36,428	16,813	1,141,421

## 4. Leases

In fiscal year 2019, the Board entered into a lease contract for the occupancy of an administration building. The term of the lease is for 5 years at an incremental borrowing rate of 1.5138%. For fiscal year 2023, the debt service for the lease totaled \$546,504 of principal and \$15,016 of interest, and was paid entirely from the Administrative Fund.

	<u>Principal</u>	<u>Interest</u>
Years ending June 30:		
2024	\$ 546,504	\$ 15,016
2025	140,381	7,908
	<u>\$ 686,885</u>	<u>\$ 22,924</u>

# Arizona Early Childhood Development and Health Board

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Notes to Financial Statements  
June 30, 2023

## 5. 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.

## 6. Interagency Service Agreement

The Board executed an interagency service agreement with the Arizona Department of Health Services (ADHS) in the amount of \$1,306,313 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, 2023 amounted to \$25,695 from AHDS. The agreement was effective through September 30, 2022.

The Board executed an interagency service agreement with the Arizona Department of Economic Security (ADES) in the amount of \$163,400,000 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, 2023 amounted to \$65,017,685 from ADES to the Board at June 30, 2023. The agreement ends June 30, 2024.

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, 2023 amounted to \$179,514 from AHCCS to the Board at June 30, 2023. The agreement is effective through September 29, 2023.

The Board executed an interagency service agreement with Pima County in the amount of \$6,811,600 to provide financial support to the Board for costs associated with providing scholarships for children aged 3 to 5 within Pima County, Arizona. Transfers into the Board's accounts for year ended June 30, 2023 amounted to \$2,338,092 from Pima County to the Board at June 30, 2023. The agreement is effective through September 30, 2024.

The Board executed an interagency service agreement with the City of Phoenix in the amount of \$4,000,000 to provide financial support to the Board to extend QF Scholarships to children who have a parent or legal guardian that is a Phoenix Sky Harbor International Airport badged worker, including tenants, concessions, and contract workers. Transfers into the Board's accounts for year ended June 30, 2023 amounted to \$1,800,000 from the City of Phoenix to the Board at June 30, 2023. The agreement is effective through August 31, 2025.

## 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, 2023

	<b>Budgeted Amounts Original &amp; Final</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Tobacco tax	\$ 104,130,000	\$ 91,123,021	\$ (13,006,979)
Investment earnings	3,600,000	5,844,037	2,244,037
Total revenues	<u>107,730,000</u>	<u>96,967,058</u>	<u>(10,762,942)</u>
<b>Expenditures</b>			
Current:			
Personal services	2,380,457	1,899,213	481,244
Employee related expenditures	1,000,096	737,553	262,543
Professional and outside services	2,576,109	2,397,335	178,774
Travel in-state	16,222	35,417	(19,195)
Travel out-of-state	7,140	5,622	1,518
Aid to others including State agencies	118,281,393	110,387,964	7,893,429
Other operating expenditures	1,569,602	2,047,580	(477,978)
Noncapital equipment	311,587	1,119	310,468
Total expenditures	<u>126,142,606</u>	<u>117,511,803</u>	<u>8,630,803</u>
Excess (deficiency) of revenues over (under) expenditures	(18,412,606)	(20,544,745)	(2,132,139)
<b>Other Financing Sources (Uses)</b>			
Transfers out to other state agencies	<u>(484,409)</u>	<u>(493,467)</u>	<u>(9,058)</u>
Net change in fund balances	(18,897,015)	(21,038,212)	(2,141,197)
<b>Fund Balance, Beginning</b>	<u>256,658,651</u>	<u>256,658,651</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u><u>\$ 237,761,636</u></u>	<u><u>\$ 235,620,439</u></u>	<u><u>\$ (2,141,197)</u></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, 2023

	<b>Budgeted Amounts Original &amp; Final</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Tobacco tax	\$ 11,570,000	\$ 10,124,780	\$ (1,445,220)
Investment earnings	400,000	649,337	249,337
Total revenues	<u>11,970,000</u>	<u>10,774,117</u>	<u>(1,195,883)</u>
<b>Expenditures</b>			
Current:			
Personal services	9,277,671	8,733,809	543,862
Employee related expenditures	3,309,570	3,391,300	(81,730)
Professional and outside services	847,240	934,729	(87,489)
Travel in/out of state	393,770	151,915	241,855
Travel out-of-state	71,907	26,513	45,394
Aid to others including State agencies	-	382,890	(382,890)
Other operating expenditures	2,216,751	1,918,902	297,849
Noncapital equipment	211,491	111,950	99,541
Debt service:			
Lease principal	-	546,504	(546,504)
Lease interest	-	15,016	(15,016)
Total expenditures	<u>16,328,400</u>	<u>16,213,528</u>	<u>114,872</u>
Excess (deficiency) of revenues over (under) expenditures	(4,358,400)	(5,439,411)	(1,081,011)
<b>Other Financing Sources (Uses)</b>			
Transfers out to other state agencies	(180,000)	(190,000)	(10,000)
Net change in fund balances	(4,538,400)	(5,629,411)	(1,091,011)
<b>Fund Balance, Beginning</b>	<u>59,131,262</u>	<u>59,131,262</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ 54,592,862</u>	<u>\$ 53,501,851</u>	<u>\$ (1,091,011)</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, 2023

	<b>Budgeted Amounts Original &amp; Final</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 18,342	\$ 18,342
Grants and donations	-	4,219,228	4,219,228
Other revenue	80,727,552	29,566	(80,697,986)
<b>Total revenues</b>	<b>80,727,552</b>	<b>4,267,136</b>	<b>(76,460,416)</b>
<b>Expenditures</b>			
Current:			
Personal services	250,000	179,631	70,369
Employee related expenditures	91,250	65,262	25,988
Professional-outside services	130,000	3,261,292	(3,131,292)
Travel out-of-state	-	64	(64)
Aid to others including State agencies	80,259,871	37,793,099	42,466,772
Other operating expenditures	10,000	26,580,332	(26,570,332)
<b>Total expenditures</b>	<b>80,741,121</b>	<b>67,886,900</b>	<b>12,854,221</b>
Excess (deficiency) of revenues revenues over (under) expenditures	(13,569)	(63,619,764)	(63,606,195)
<b>Other Financing Sources (uses)</b>			
Transfers in from other state agencies	395,500	65,271,854	64,876,354
<b>Total other financing sources (uses)</b>	<b>395,500</b>	<b>65,271,854</b>	<b>64,876,354</b>
Net change in fund balances	381,931	1,652,090	1,270,159
<b>Fund Balance, Beginning</b>	<b>879,866</b>	<b>879,866</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,261,797</b>	<b>\$ 2,531,956</b>	<b>\$ 1,270,159</b>

# **Arizona Early Childhood Development and Health Board**

Report on Federal Awards

June 30, 2023

# Arizona Early Childhood Development and Health Board

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June 30, 2023

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**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Independent Auditors' Report

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

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 (*Government Auditing Standards*), the financial statements of each major fund, and the aggregate remaining fund information of the Arizona Early Childhood Development and Health Board (the Board), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 6, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 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 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.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 6, 2023

**Report on Compliance  
for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Arizona Early Childhood Development and Health Board's (the Board) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2023. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Board's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of each major fund, and the aggregate remaining fund information of the Board as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated November 6, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 6, 2023

**Arizona Early Childhood Development and Health Board**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Grantor/ Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Grant Number	Federal Expenditures	Payments Made to Subrecipients
<b>Federal Programs</b>					
<b>Department of the Treasury</b>					
COVID- 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	City of Phoenix, Arizona	156194--0	\$ 292,964	\$ 292,964
COVID- 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Pima County, Arizona	CT-CR-22-385	2,338,092	2,338,092
Total Department of the Treasury				<u>2,631,056</u>	<u>2,631,056</u>
<b>U.S. Department of Health and Human Services</b>					
477 Cluster:					
Child Care and Development Block Grant	93.575	Arizona Department of Economic Security	CTR056165	65,017,685	34,932,432
Total 477 Cluster				<u>65,017,685</u>	<u>34,932,432</u>
State Opioid Response	93.788	Arizona Health Care Cost Containment System (AHCCCS)	YH21-0031 3	179,514	179,514
Maternal, Infant, and Early Childhood Home Visiting	93.870	Arizona Department of Homeland Security	HS161027	25,695	25,695
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Cocopah Tribe, Arizona	N/A	4,000	4,000
Total U.S. Department of Health and Human Services				<u>65,226,894</u>	<u>35,141,641</u>
Total federal programs				<u>\$ 67,857,950</u>	<u>\$ 37,772,697</u>

See notes to schedule of expenditures of federal awards

# Arizona Early Childhood Development and Health Board

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

## 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Arizona Early Childhood Development and Health Board under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Arizona Early Childhood Development and Health Board, it is not intended to and does not present the financial position, changes in net position or cash flows of the Arizona Early Childhood Development and Health Board.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

## 3. Indirect Cost Rate

The Arizona Early Childhood Development and Health Board has not elected to use the 10% de minimis indirect cost rate.

# Arizona Early Childhood Development and Health Board

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023

## Section I - Summary of Auditors' Results

### Financial Statements

Type of report the auditors issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ No	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ No	_____ <input checked="" type="checkbox"/> None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  No

### Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ No	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ No	_____ <input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for the major federal programs: Unmodified

Any audit findings disclosed that are required to be report in accordance with 2 CFR 200.516(a) of the Uniform Guidance? \_\_\_\_\_ Yes  No

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.575	Child Care and Development Block Grant

## Section II - Financial Statement Findings Required to be Reported in Accordance With Government Auditing Standards

No findings noted.

## Section III - Federal Awards Findings and Questioned Costs

No findings noted.

# Reporting and insights from 2023 audit:

Arizona Early Childhood  
Development and Health Board

June 30, 2023

# Executive summary

November 7, 2023

Arizona Early Childhood Development Authority and Health Board of Directors  
400 N Central Ave. Suite 800  
Phoenix, AZ 85012

We have completed our audit of the financial statements of #N/A (the Board) for the year ended June 30, 2023, and have issued our report thereon dated November 6, 2023. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of you're the Board's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas #N/A should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Brian Hemmerle, Partner: [Brian.Hemmerle@bakertilly.com](mailto:Brian.Hemmerle@bakertilly.com) or +1 (480) 752 4307
- Marissa Anderson, Senior Associate: [Marissa.Anderson@bakertilly.com](mailto:Marissa.Anderson@bakertilly.com) or +1 (480) 752 7743

Sincerely,

Baker Tilly US, LLP



Brian Hemmerle, CPA

Partner

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES

BAKER TILLY US, LLP, TRADING AS BAKER TILLY, IS A MEMBER OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES

# Responsibilities

## Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Board's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* [and *State Single Audit Guidelines*] about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs.
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the Board's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report and key audit matters
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

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# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the Board and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Board's current year results.

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

## Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	Disbursements

## Internal control matters

We considered the Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

## Required communications

### Qualitative aspect of accounting practices

- **Accounting policies:** Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2023. We noted no transactions entered into by the Board during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

### Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Board or that otherwise appear to be unusual due to their timing, size or nature.

## **Significant difficulties encountered during the audit**

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

## **Disagreements with management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Audit report**

There have been no departures from the auditors' standard report.

## **Audit consultations outside the engagement team**

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

## **Uncorrected misstatements and corrected 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. There were no misstatements identified.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

## **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

## **Written communications between management and Baker Tilly**

The attachments include copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

## **Fraud**

We did not identify any known or suspected fraud during our audit.

## **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Board's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## **Independence**

We are not aware of any relationships between Baker Tilly and the Board that, in our professional judgment, may reasonably be thought to bear on our independence.

## **Related parties**

We did not have any significant findings or issues arise during the audit in connection with the Board's related parties.

## **Other matters**

We applied certain limited procedures to the 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.

## **Nonattest services**

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Preparation of Data Collection Form

## **Audit committee resources**

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

November 6, 2023

Baker Tilly US, LLP  
2055 E Warner Rd. Ste. 101  
Tempe, AZ 85284

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of Arizona Early Childhood Development and Health Board as of June 30, 2023 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Arizona Early Childhood Development and Health Board and the results of operations in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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 the 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, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated .
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America 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) 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 the requirements of accounting principles generally accepted in the United States of America.
- 6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
- 8) All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
- 9) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the appropriate accounts.
- 10) We are not aware of any known actual, possible, 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 accounting principles generally accepted in the United States of America, or which would affect federal or state award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 11) 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.

#### Information Provided

- 12) 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 financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 16) We have no knowledge of known 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.
- 17) There are no related parties or related party relationships and transactions, including side agreements, of which we are aware.

#### Other

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

- 24) The Arizona Early Childhood Development and Health Board has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
- 25) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 26) There are no:
  - a) Violations or possible violations of budget ordinances, federal, state, and local laws or 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, except those already disclosed in the financial statement, if any.
  - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
- 27) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
  - a) Financial statement preparation
  - b) Adjusting journal entries
  - c) Compiled regulatory reports
  - d) Preparation of auditee sections of the data collection form
  - e) SEFA compilationNone of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
- 28) 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.
- 29) 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 statement in the event of noncompliance.
- 30) The financial statements properly classify all funds and activities.
- 31) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 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.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 33) The Arizona Early Childhood Development and Health Board has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 34) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 35) 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.
- 36) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- 38) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 39) The entity meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 40) 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 are available and have determined that net position were properly recognized under the policy. We have also disclosed our 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.
- 41) 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.
- 42) With respect to the supplementary information, (SI):
  - a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 43) With respect to federal and state award programs:
  - a) We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *State Single Audit Guidelines*, including requirements relating to preparation of the schedule of expenditures of federal and state awards (SEFSA).
  - b) We acknowledge our responsibility for preparing and presenting the SEFSA and related disclosures in accordance with the requirements of the Uniform Guidance and the State Single Audit Guidelines, and we believe the SEFSA, including its form and content, is fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.
  - c) If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditors' report thereon.
  - d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the *State Single Audit Guidelines* and included in the SEFSA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
  - e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.

- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are administering our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to the programs and related activities.
- h) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement and the State Single Audit Guidelines, relating to federal and state awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o) We have disclosed to you all known noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- q) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
- s) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance and the *State Single Audit Guidelines*.
- t) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- u) We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.
- v) We have charged costs to federal and state awards in accordance with applicable cost principles.

- w) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- x) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Sincerely,

Arizona Early Childhood Development and Health Board

*Josh Allen*

CFO/COO

Signature

Title

Date: November 6, 2023