

ARIZONA EARLY CHILDHOOD DEVELOPMENT
AND HEALTH BOARD

FINANCIAL STATEMENTS

Year Ended June 30, 2008

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD

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Independent Auditors' Report

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

We have audited the accompanying Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance of Arizona Early Childhood Development and Health Board as of and for the year ended June 30, 2008. This financial statement is the responsibility of Arizona Early Childhood Development and Health Board's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arizona Early Childhood Development and Health Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on a basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts, cash disbursements and cash balance of Arizona Early Childhood Development and Health Board as of and for the year June 30, 2008, on the basis of accounting described in Note 1.



September 23, 2008
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ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
As of June 30, 2008 and for the Year Ended June 30, 2008

	Program Fund	Administrative Cost Fund	Total
CASH RECEIPTS			
Tobacco taxes	\$ 147,543,382	\$ 16,852,335	\$ 164,395,717
Interest income	5,055,887	759,343	5,815,230
TOTAL CASH RECEIPTS	<u>152,599,269</u>	<u>17,611,678</u>	<u>170,210,947</u>
CASH DISBURSEMENTS			
Personal services	-	3,071,552	3,071,552
Employee related expenditures	-	951,303	951,303
Professional and outside services	-	692,400	692,400
Travel in-state	-	97,353	97,353
Travel out-of-state	-	22,440	22,440
Other operating expenditures	-	909,906	909,906
Capital equipment	-	1,539,721	1,539,721
Non-capital equipment	-	598,907	598,907
TOTAL CASH DISBURSEMENTS	<u>-</u>	<u>7,883,582</u>	<u>7,883,582</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	152,599,269	9,728,096	162,327,365
TRANSFERS OUT	<u>-</u>	<u>(71,924)</u>	<u>(71,924)</u>
NET CHANGE IN FUND BALANCES	152,599,269	9,656,172	162,255,441
FUND CASH BALANCES - Beginning of Period	<u>-</u>	<u>73,997,935</u>	<u>73,997,935</u>
FUND CASH BALANCES - End of Period	<u>\$ 152,599,269</u>	<u>\$ 83,654,107</u>	<u>\$ 236,253,376</u>
Fund cash balances consists of:			
Cash held by State Treasurer	\$ 871,862	\$ 1,392,324	\$ 2,264,186
Investments held by State Treasurer	151,727,407	82,261,783	233,989,190
	<u>\$ 152,599,269</u>	<u>\$ 83,654,107</u>	<u>\$ 236,253,376</u>

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
NOTES TO FINANCIAL STATEMENT
Year Ended June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Early Childhood Development and Health Board (Board) is an agency of the State of Arizona. The accompanying financial statement is prepared on a basis of accounting other than U.S. generally accepted accounting principles (GAAP) applicable to governmental units adopted by the Governmental Accounting Standards Board. The basis of accounting is discussed in detail below.

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, this financial statement is intended to present solely the cash transactions of the Board for the year ended June 30, 2008. This statement does not present the financial position or changes in financial position of the State. The State issues a publicly available Comprehensive Annual Financial Report (CAFR). Copies of the CAFR are posted on the Arizona Department of Administration's General Accounting Office's (GAO) Web site at www.gao.state.az.us or can be obtained by contacting the GAO at 100 North 15th Avenue, 3rd Floor, Suite 302, Phoenix, Arizona, 85007.

The accompanying financial statement presents the activities of the Board. Ten percent of the monies received by the Board pursuant to A.R.S. §42-3371 shall be deposited into an Administrative Fund, except in fiscal year 2007, when all monies were required to be deposited into this fund. Monies deposited into the Administrative Fund are used to pay administrative expenses, including the Board's staff salaries. Additionally, the following Board funds were established, but only the Program Fund had any reportable activity:

Program Fund—A.R.S. §8-1181(D) requires that beginning in fiscal year 2008, 90 percent of monies received pursuant to A.R.S. §42-3371 shall be deposited into the Program Fund. Monies deposited into this fund are to be used in furtherance of the objectives set forth in Prop 203.

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
NOTES TO FINANCIAL STATEMENT
Year Ended June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private Gifts Fund—A.R.S. §8-1182 requires that monies or other resources arising from private grants, gifts, or contributions shall be deposited into this fund and shall be used in accordance with the permissible conditions, if any, placed on the use of those monies by the donor.

Grant Monies Fund—A.R.S. §8-1182 requires that federal, state, or local monies received shall be deposited into this fund and shall be used in accordance with the conditions placed on those monies by the awarding government.

Legislative Appropriations Fund—A.R.S. §8-1181(B) requires that monies appropriated by the State's Legislature shall be deposited into this fund and used in accordance with the provisions of Prop 203.

The Board's reporting entity consists of the funds listed above, which are considered special revenue funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for a specified purpose or designated to finance particular functions or activities of a government. There are no affiliated organizations required to be included as blended or discretely presented component units in the Board's reporting entity.

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.

Fund Financial Statement

The focus of the statement is on the sources and uses of cash resources.

Basis of Accounting

The accompanying financial statement is prepared using the cash basis of accounting. This basis of accounting recognizes changes in fund cash balance, cash receipts, and cash disbursements arising from cash transactions. This basis is a comprehensive basis of accounting other than United States generally accepted accounting principles.

As a result of the use of the cash basis of accounting in preparing the accompanying financial statement, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable for goods or services received but not yet paid and accrued expenses and liabilities) are not reported in the accompanying financial statement.

ARIZONA EARLY CHILDHOOD DEVELOPMENT AND HEALTH BOARD
 NOTES TO FINANCIAL STATEMENT
 Year Ended June 30, 2008

NOTE 2 CASH AND INVESTMENTS HELD BY THE STATE TREASURER

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

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

The Treasurer's internal investment Pool 3 is not required to be registered (and is 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. The Treasurer's Investment Pool 3 is not rated, and as of June 30, 2008, the weighted average to maturity of the Pool's investments is 2.68 years.

At June 30, 2008, the Board's deposits with the Treasurer were as follows:

	Program Fund	Administrative Cost Fund	Total
Cash	\$ 871,862	\$ 1,392,324	\$ 2,264,186
Investment in Pool 3	<u>151,727,407</u>	<u>82,261,783</u>	<u>233,989,190</u>
	<u>\$ 152,599,269</u>	<u>\$ 83,654,107</u>	<u>\$ 236,253,376</u>

NOTE 3 TRANSFER OF FUNDS TO OTHER AGENCIES

At June 30, 2008, the Arizona Early Childhood Development and Health Board transferred funds to other State Agencies as follows:

Department of Health Services	
Governor's Office for Children, Youth and Families	\$11,924
Arizona Health Care Cost Containment System	<u>60,000</u>
Total Transfers	<u>\$71,924</u>