



Technical Advisory Committee
September 29, 2023, 9:00 a.m.

816 W. Acequia Ave.

Visalia, CA

AGENDA

1. Call to Order
2. Public Comment
3. Minutes of previous meeting – June 9, 2023
4. Financial Management
 - a. June 30, 2023, Financial Report
 - b. June 30, 2023, Investment Report
 - c. 2022-2023 Audit update
 - d. Federal Grant Management Manual
5. Operations & Program Management
 - a. Dolly Parton's Imagination Library
 - b. FHCN contract termination
 - c. First 5 California's *Regional Home Visiting Coordination* update & training
 - d. Acequia Office exterior renovation update
 - e. Special Project Grants update
6. Review draft October 12, 2023, Commission meeting agenda
7. Next TAC Meeting: December 1, 2023
8. Adjourn



Technical Advisory Committee
June 9, 2023 - 9:00 a.m.

Meeting Minutes

Commissioners Present: Chair Karen Elliott, Co-Chair Megan Ide, Immediate Past Chair Pete Vander Poel

Staff Present: Executive Director Michele Eaton and Finance Manager Aaron Cooper

1. Call to Order: Chair Elliott called the meeting to order at 9:00 a.m.
2. Public Comment: There was no public comment.
3. Minutes of previous meeting: The minutes from April 14, 2023, were reviewed with no changes requested.
4. Financial Management:
 - a. Aaron presented the April 30, 2023, Financial Report. There were no concerns expressed.
 - b. The Investment Report for the period ending March 31, 2023, was presented to the members with no concerns expressed.
5. Program Management:
 - a. Michele shared that the CALWorks Home Visiting agreement had been renewed by HHSA and will be on the June Commission meeting agenda for approval and acceptance by First 5.
6. Operations Management:
 - a. Michele reviewed the recommended revisions to the organization's By-Laws. Upon approval by TAC members, the draft would be sent to the full Commission to meet the required 10-day notice prior to action being taken at the June 22, 2023, public meeting. The members approved the revisions.
 - b. The members discussed the construction services agreement with Commissioner Vander Poel providing a thorough description of prevailing wage costs and other public works project requirements. The members had no concerns about the agreement.
 - c. Michele provided a brief update on the status of the Acequia office building renovations.
 - d. The members reviewed the updated Admin/Fiscal Assistant job description. Commissioner's Elliott and Vander Poel suggested a few edits to the

description. Michele stated that she would make the edits prior to announcing the recruitment opportunity.

7. The members reviewed the June 22, 2023, Commission meeting agenda with no changes requested.
8. Chair Elliott informed the members of the next scheduled TAC meeting and adjourned the meeting at 9:47 a.m.

First 5 Tulare County

Balance Sheet - All Funds Combined

June 30, 2023

Assets

Cash & Cash Equivalents:	
Cash in County Treasury	\$ 5,784,553
Cash in Citizen's Business Bank Checking	641,962
Total Cash & Cash Equivalents	6,426,515
Receivables and Advances:	
Accounts Receivable	1,204,979 (1)
Advances to Providers	92,035
Total Receivables and Advances	1,297,014
Other Current Assets:	
Prepays	22,407
Deposits	5,545
Total Other Current Assets	27,952
Total Assets	\$ 7,751,481

Liabilities and Fund Balance

Liabilities:	
Vendors and Providers Payable, Accrued Wages	\$ 1,115,204
Total Liabilities	1,115,204
Fund Balance:	
Nonspendable (Prepays, Deposits)	27,952
Committed	6,608,325
Unassigned	-
Total Fund Balance	6,636,277
Total Liabilities and Fund Balance	\$ 7,751,481

BEGINNING FUND BALANCE	\$ 6,688,917
NET SURPLUS/(DEFICIT)	(52,640)
ENDING FUND BALANCE	\$ 6,636,277

(1) Detail of Accounts Receivable as of June 30, 2023:

Proposition 10 June	\$ 303,075
Proposition 10 May	194,528
CECEC Accrual	54,893
SMIF Accrual	15,083
HVP Grant Accrual	637,400
	\$ 1,204,979

First 5 Tulare County

Schedule of Revenues and Expenditures - Budget to Actual All Funds Combined

For the Year Ended June 30, 2023

	First 5	Total Annual Budget	% of Annual Budget 100.0%
Revenues			
Proposition 10 Revenues:			
State Proposition 10 Funds	\$ 4,102,466	\$ 4,238,395	96.8%
Total Proposition 10 Revenues	4,102,466	4,238,395	96.8%
Interest Earned:			
County Treasury, SMIF, & Other Interest Earned	102,521	49,820	205.8%
Total Interest Earned	102,521	49,820	205.8%
Other Income:			
Miscellaneous Revenue	551	-	0.0%
Other Grants	1,794,498	2,300,000	78.0%
Total Other Income	1,795,049	2,300,000	78.0%
Total Revenues	6,000,036	6,588,215	91.1%
Expenditures			
Administration Costs:			
Admin Salaries, Benefits & Related Taxes	354,462	362,102	97.9%
Professional Services & Memberships	38,364	41,550	92.3%
Office Supplies & Postage	5,541	7,000	79.2%
Telecommunications	3,980	6,500	61.2%
Rent, Utilities & Building Maintenance	74,514	74,540	100.0%
Equipment Rental & Maintenance	19,484	21,500	90.6%
Printing & Publishing	304	2,000	15.2%
Media, Marketing & Outreach	17,115	18,400	93.0%
Staff & Commissioner Training & Travel	2,303	5,000	46.1%
Provider Meetings & Meals	2,119	2,300	92.1%
Insurance	12,370	16,000	77.3%
Furniture, Equipment & Software	5,468	6,200	88.2%
Total Administration Costs	536,024	563,092	95.2%
Data Management and Evaluation:			
Vendors	138,502	141,759	97.7%
Personnel	89,943	89,950	100.0%
Total Data Management and Evaluation	228,445	231,709	98.6%
Capital Expenditures:			
Building	281,420	454,597	61.9%
Vehicle	49,982	50,000	100.0%
Total Capital Expenditures	331,402	504,597	65.7%
Program Costs:			
Personnel	282,619	283,166	99.8%
Special Projects Funding & Sponsorships	81,470	85,000	95.8%
Mini-Grants	45,000	45,000	100.0%
Provider Contract Payments	4,476,531	5,317,634	84.2%
One-Time RFPs	32,597	32,597	100.0%
Other Program Costs	38,588	94,154	41.0%
Total Program Costs	4,956,805	5,857,551	84.6%
Total Expenditures	6,052,676	7,156,949	84.6%
NET SURPLUS/(DEFICIT)	\$ (52,640)	\$ (568,734)	

First 5 Tulare County

Schedule of Revenues and Expenditures - Budget to Actual By Grant

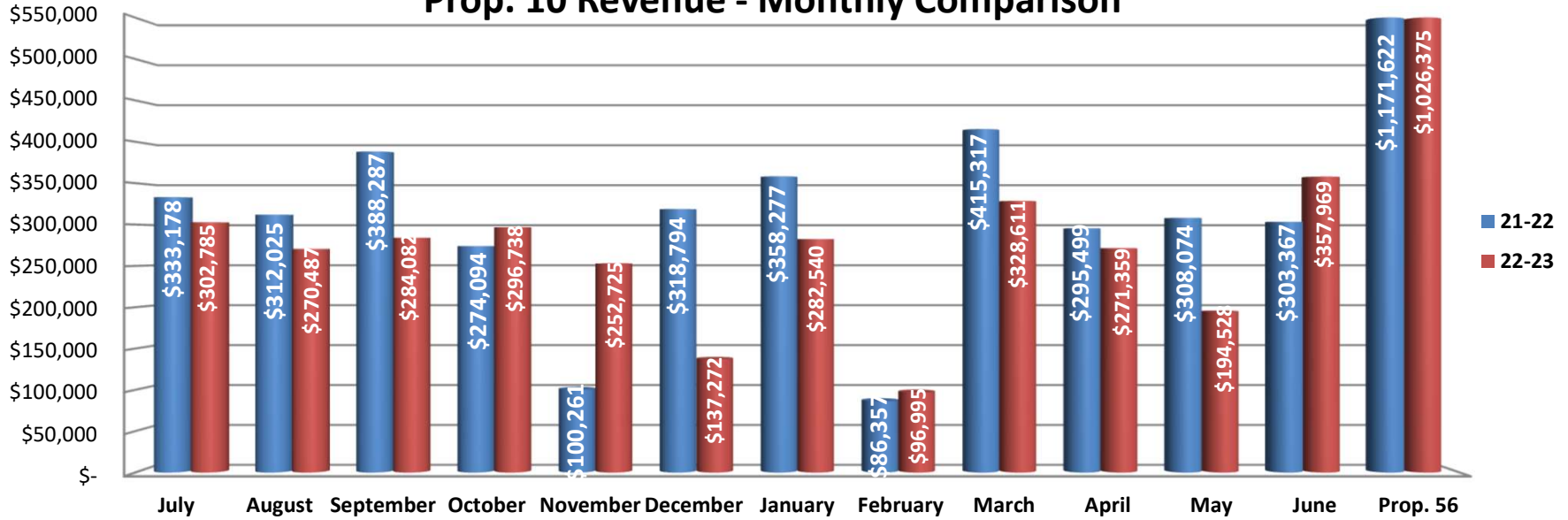
For the Year Ended June 30, 2023

	First 5 General	PLAY	Commission Totals	Total Annual Budget	% of Annual Budget 100.0%
Revenues					
Proposition 10 Revenues:					
State Proposition 10 Funds	\$ 4,102,466	\$ -	\$ 4,102,466	\$ 4,238,395	96.8%
Total Proposition 10 Revenues	4,102,466	-	4,102,466	4,238,395	96.8%
Interest Earned:					
County Treasury, SMIF, & Other Interest Earned	102,521	-	102,521	49,820	205.8%
Total Interest Earned	102,521	-	102,521	49,820	205.8%
Other Income:					
Miscellaneous Revenue	551	-	551	-	
Other Grants	-	1,794,498	1,794,498	2,300,000	78.0%
Total Other Income	551	1,794,498	1,795,049	2,300,000	78.0%
Total Revenues	4,205,538	1,794,498	6,000,036	6,588,215	91.1%
Expenditures					
Administration Costs:					
Admin Salaries, Benefits & Related Taxes	354,462	-	354,462	362,102	97.9%
Professional Services & Memberships	38,364	-	38,364	41,550	92.3%
Office Supplies & Postage	5,541	-	5,541	7,000	79.2%
Telecommunications	3,980	-	3,980	6,500	61.2%
Rent, Utilities & Building Maintenance	74,514	-	74,514	74,540	100.0%
Equipment Rental & Maintenance	19,484	-	19,484	21,500	90.6%
Printing & Publishing	304	-	304	2,000	15.2%
Media, Marketing & Outreach	17,115	-	17,115	18,400	93.0%
Staff & Commissioner Training & Travel	2,303	-	2,303	5,000	46.1%
Provider Meetings & Meals	2,119	-	2,119	2,300	92.1%
Insurance	12,370	-	12,370	16,000	77.3%
Furniture, Equipment & Software	5,468	-	5,468	6,200	88.2%
Transfer of Indirect Costs	(163,136)	163,136	-	-	#N/A
Total Administration Costs	372,888	163,136	536,024	563,092	95.2%
Data Management and Evaluation:					
Vendors	133,552	4,950	138,502	141,759	97.7%
Personnel	89,943	-	89,943	89,950	100.0%
Total Data Management and Evaluation	223,495	4,950	228,445	231,709	98.6%
Capital Expenditures:					
Building	281,420	-	281,420	454,597	61.9%
Vehicle	-	49,982	49,982	50,000	100.0%
Total Capital Expenditures	281,420	49,982	331,402	504,597	65.7%
Program Costs:					
Personnel	121,114	161,505	282,619	283,166	99.8%
Special Projects Funding & Sponsorships	81,470	-	81,470	85,000	95.8%
Mini-Grants	45,000	-	45,000	45,000	100.0%
Provider Contract Payments	3,100,194	1,376,337	4,476,531	5,317,634	84.2%
One-Time RFPs	32,597	-	32,597	32,597	100.0%
Other Program Costs	-	38,588	38,588	94,154	41.0%
Total Program Costs	3,380,375	1,576,430	4,956,805	5,857,551	84.6%
Total Expenditures	4,258,178	1,794,498	6,052,676	7,156,949	84.6%
NET SURPLUS/(DEFICIT)	\$ (52,640)	\$ -	\$ (52,640)	\$ (568,734)	

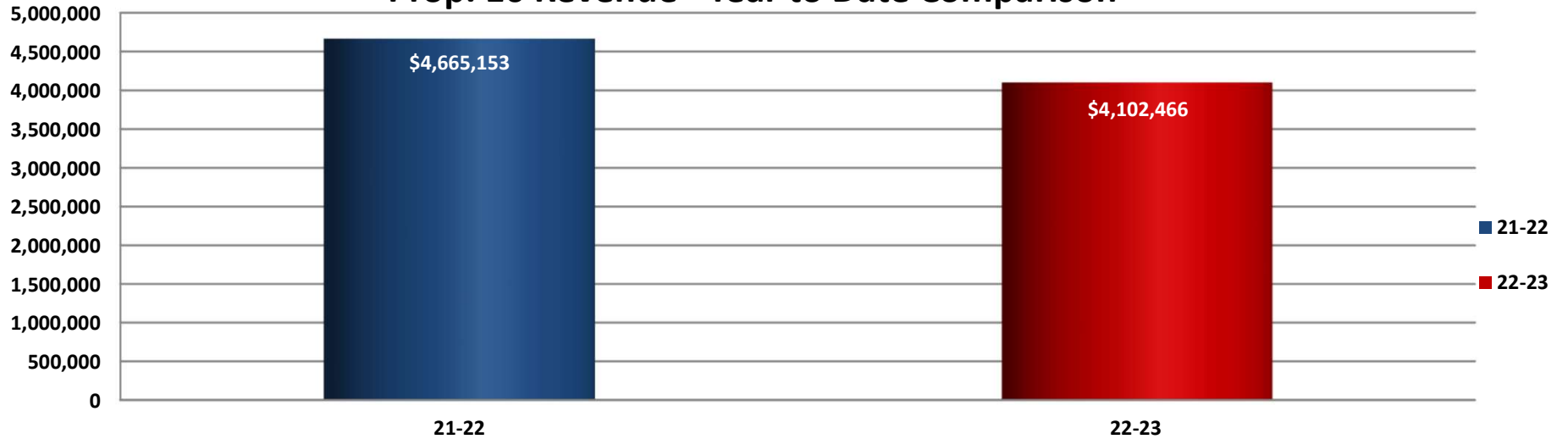
**First 5 Tulare County
Provider Contract Payments
As of June 30, 2023**

ON-GOING PROGRAMS:	Contract Term	Budget	Expenditures	Remaining
PARENT EDUCATION				
Family Services Addressing Child Trauma (ACT Early)	7/1/22-6/30/23	230,261	156,718	73,543
SCHOOL READINESS				
Save the Children Early Steps to School Success	7/1/22-6/30/23	300,000	300,000	-
Traver School Readiness	7/1/22-6/30/23	103,544	103,544	-
Tulare City Scool District - Comprehensive School Readiness	7/1/22-6/30/23	300,000	300,000	-
Visalia Unified - Building Futures Program	7/1/22-6/30/23	164,461	154,664	9,797
FAMILY RESOURCE CENTERS				
Cutler-Orosi FRC	7/1/22-6/30/23	235,904	233,566	2,338
Family Services of Tulare County-Goshen Family Resource Cent.	7/1/22-6/30/23	58,099	57,265	834
Lindsay First Steps FRC	7/1/22-6/30/23	229,307	225,426	3,881
Parenting Network Dinuba FRC	7/1/22-6/30/23	253,288	196,588	56,700
Parenting Network Porterville FRC	7/1/22-6/30/23	293,372	247,064	46,308
Parenting Network Visalia FRC	7/1/22-6/30/23	298,177	275,727	22,450
Woodlake Unified School District - Family Resource Center	7/1/22-6/30/23	130,809	121,796	9,013
Home Visiting Program				
CSET FRC (HVI)	1/1/23-6/30/23	197,239	59,084	138,155
Cutler-Orosi Joint Unified School District- FRC (HVI)	7/1/22-6/30/23	213,928	206,226	7,702
Family Services of Tulare County - Goshen FRC (HVI)	1/1/23-6/30/23	168,020	143,504	24,516
Lindsay Unified School District - FRC (HVI)	7/1/22-6/30/23	213,928	180,827	33,101
Parenting Network - Dinuba FRC (HVI)	7/1/22-6/30/23	260,928	193,958	66,970
Parenting Network - Porterville FRC (HVI)	7/1/22-6/30/23	238,209	190,144	48,065
Parenting Network - Visalia FRC (HVI)	7/1/22-6/30/23	306,079	257,482	48,597
Woodlake Unified School District - FRC (HVI)	7/1/22-6/30/23	213,927	145,111	68,816
COMMUNITY RESOURCES				
United Way of Tulare County	7/1/22-6/30/23	160,672	160,578	94
MENTAL HEALTH				
Family Services Early Childhood Mental Health Program	7/1/22-6/30/23	290,467	246,832	43,635
DENTAL HEALTH				
Altura Centers for Health - Dental Screening, Varnish & Ed	7/1/22-6/30/23	38,084	35,173	2,911
Family HealthCare Network Kinder Care Dental Program	7/1/22-6/30/23	81,784	53,391	28,393
HOSPITAL CONTRACTS				
Altura Centers for Health - Breastfeeding Friendly Clinic	7/1/22-6/30/23	70,895	70,741	154
Sierra View Local Healthcare District	7/1/22-6/30/23	266,252	161,122	105,130
Total		\$ 5,317,634	\$ 4,476,531	\$ 841,103
CAPITAL/PLANNING GRANTS:				
Lindsay Unified School District - Kennedy Preschool Shade Structu	7/1/22-6/30/23	\$ 20,000	20,000	\$ -
Visalia Charter Independent Study - Childcare Enrichment Center	7/1/22-6/30/23	12,597	12,597	-
Total		\$ 32,597	32,597	\$ -
Total On-Going and Capital/Planning		\$ 5,350,231	4,509,128	\$ 841,103

Prop. 10 Revenue - Monthly Comparison



Prop. 10 Revenue - Year to Date Comparison





September 21, 2023

**First 5 Tulare County Quarterly Investment Report
Quarter Ended June 30, 2023**

To the First 5 Commissioners:

Attached is the First 5 Tulare County Quarterly Investment Report for the Quarter Ended June 30, 2023. This summary report reflects the investment activity for First 5 Tulare County. First 5 Tulare County invests its idle cash in the Tulare County Treasury Pool. The Tulare County Quarterly Investment Report can be reviewed for further detail. This report is in compliance with the First 5 Tulare County Investment Policy.

There are three primary goals listed in the First 5 Tulare County Investment Policy:

1. **Safety** – “Safety of capital shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error.” The investments of First 5 Tulare County are being safeguarded through diversification and investment in stable short-term investments with a rating of “A” or better.
2. **Liquidity** – “The investment portfolio shall remain sufficiently liquid to enable F5TC to meet operating requirements which might be reasonably anticipated and shall always have the ability to convert sufficient securities in the portfolio to cash to meet contingency needs.” The investment portfolio has a high degree of liquidity with approximately 34% (\$1.54 Million) of investments having a maturity of one year or less and no investment having a maturity of greater than five years. First 5 Tulare County has the ability to meet its expenditure requirements for the next six months.
3. **Yield** – “The investment portfolio shall be designed with the objective of attaining the highest rate of return, taking into consideration income preservation, current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of safety and liquidity.” The gross yield of 2.75% lagged slightly behind the LAIF benchmark of 3.01% for the quarter ending June 30, 2023.

Sincerely,

A handwritten signature in blue ink, appearing to read "Aaron Cooper".

Aaron Cooper, CPA
Finance Manager
(559)622-8650
ac@first5tc.org

EARNINGS

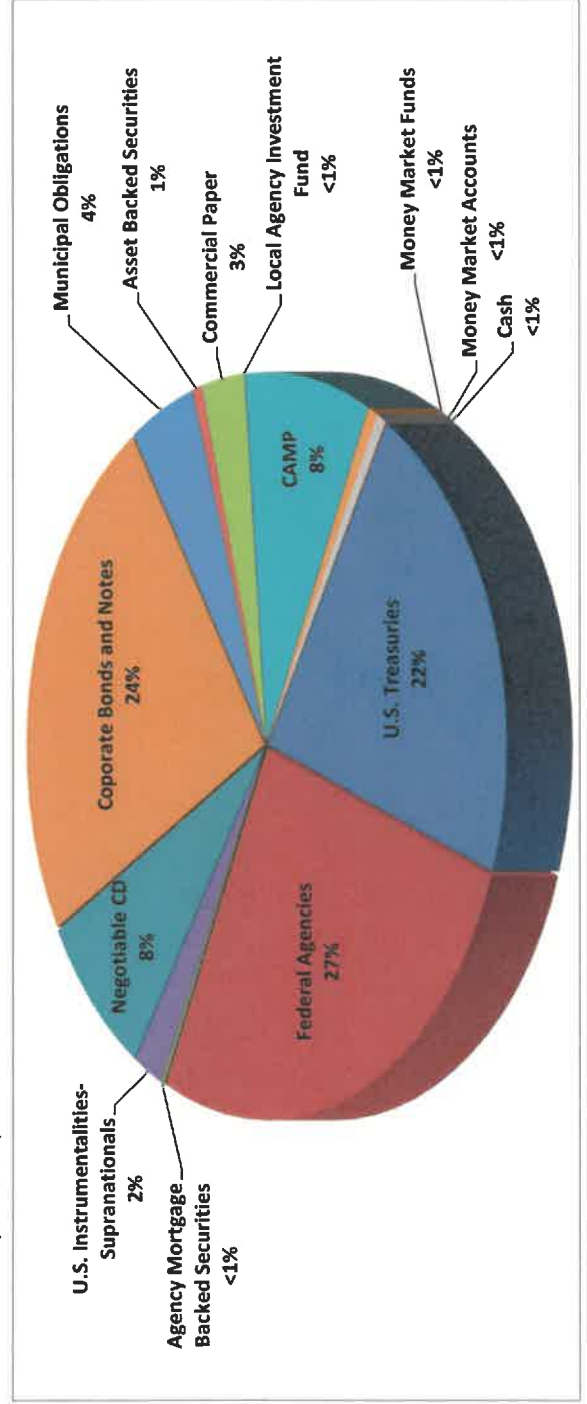
Account Type	Bank Name	Average Daily Balance	Rate of Return (net of fees*)	Earnings (net of fees*)
Treasury Pool	County of Tulare	\$ 4,416,437	2.72%	\$ 29,982
Checking Account	Citizen's Business Bank	\$ 2,269,171	0.02%	113
				<u>\$ 30,095</u>

* Earnings for the County Treasury investments were reduced by treasury fees of \$327.50 (.03%).

PORTFOLIO COMPOSITION

	Book Value	Market Value*	% of Portfolio	% Permitted by Policy
U.S. Treasuries	1,023,795	967,578	22%	100%
Federal Agencies	1,208,180	1,156,167	27%	75%
Agency Mortgage Backed Securities	6,974	6,690	<1%	75%
U.S. Instrumentalities-Supranator	93,635	89,343	2%	30%
Negotiable CD	331,527	330,901	8%	30%
Coporate Bonds and Notes	1,065,627	1,036,353	24%	30%
Municipal Obligations	195,469	190,476	4%	30%
Asset Backed Securities	29,157	28,146	1%	20%
Commercial Paper	126,177	126,049	3%	40%
Local Agency Investment Fund	317	317	<1%	\$75 Million
CAMP	371,102	371,102	9%	50%
Money Market Funds	31,521	31,521	<1%	15%
Money Market Accounts	12,775	12,775	<1%	50%
Cash	11,488	11,488	<1%	100%
Total Portfolio	4,507,743	4,358,905	100%	

* Market Prices were provided by the Union Bank of California.



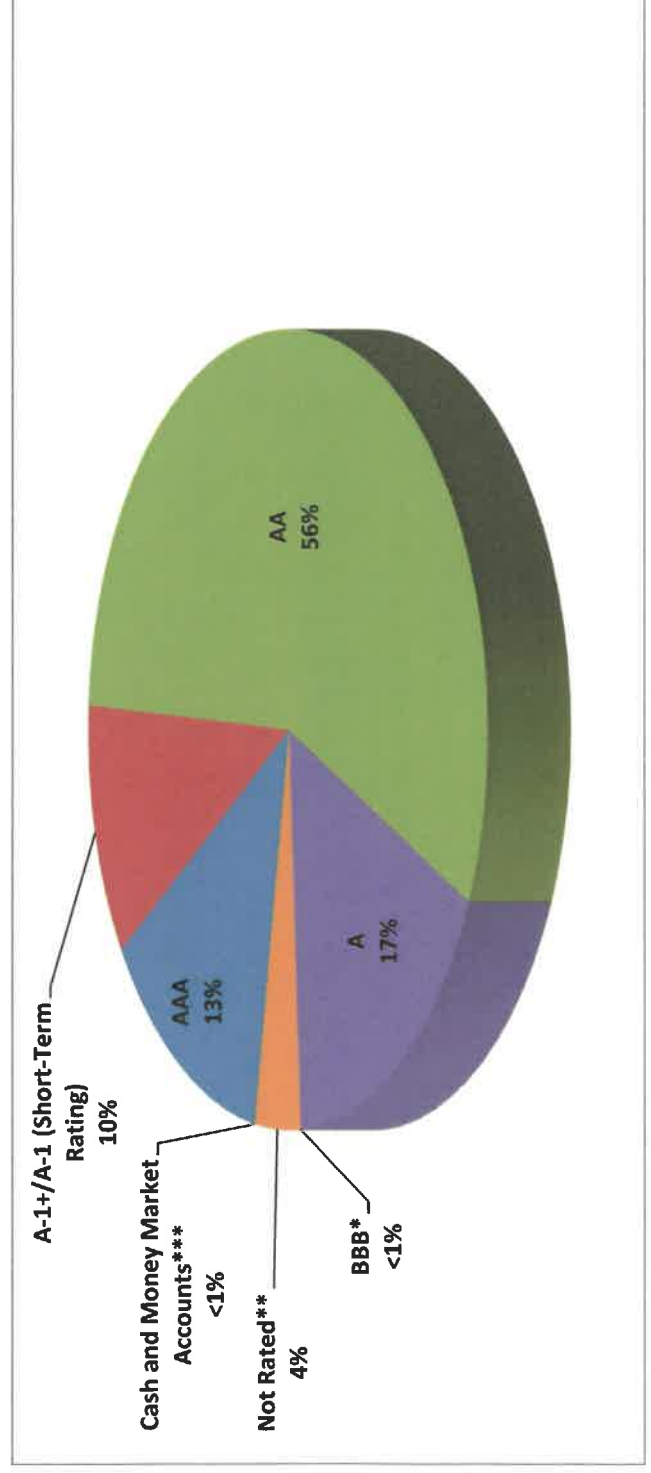
CREDIT RATINGS

	Book Value	Percentage of Portfolio
AAA	579,606	13%
A-1+/A-1 (Short-Term Rating)	457,705	10%
AA	2,503,192	56%
A	760,715	17%
BBB*	16,194	<1%
Not Rated**	166,069	4%
Cash and Money Market Accounts***	24,263	<1%
TOTAL PORTFOLIO	\$ 4,507,743	100%

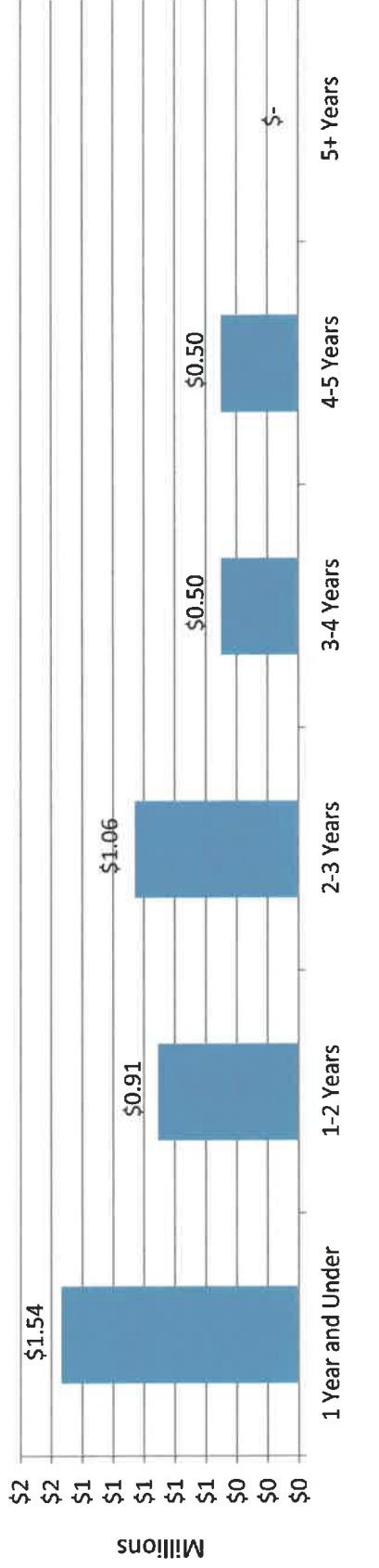
* Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO.

**The \$166,069 portion that is not rated is invested in LAIF, the State of California pooled investment fund.

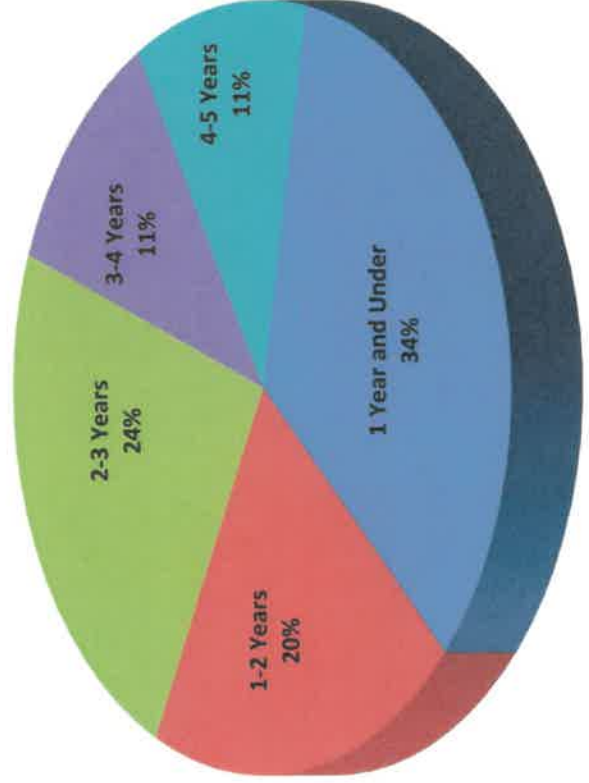
*** Fully collateralized in accordance with California government code.



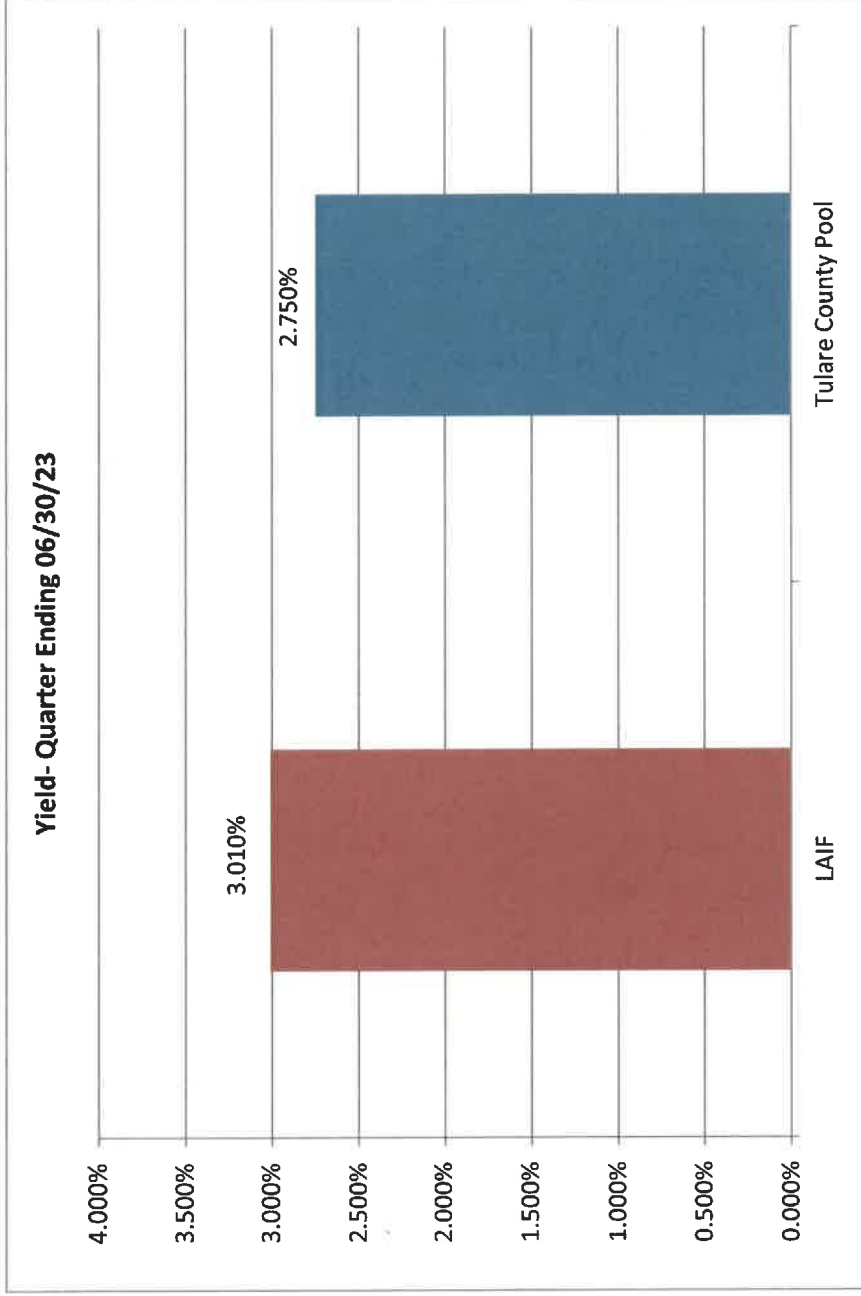
MATURITY DISTRIBUTION \$



Maturity Distribution %



BENCHMARK COMPARISON - YIELD



Note: Yields are reported gross of any administrative costs.

PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Cash	11,488	11,488	11,488	0.25%	1	1	0.000	0.000
Money Market Accounts	12,775	12,775	12,775	0.28%	1	1	2.979	3.020
Money Market Fund	31,521	31,521	31,521	0.70%	1	1	4.973	5.042
Managed Investment Pools	371,418	371,418	371,418	8.24%	1	1	5.166	5.238
Commercial Paper Discount	127,832	126,049	126,177	2.80%	234	91	5.209	5.281
Negotiable CD's	331,283	330,901	331,527	7.35%	302	92	5.019	5.088
Treasury Securities	1,042,427	967,578	1,023,795	22.71%	1,590	912	1.828	1.854
Agency Issues	1,038,568	994,955	1,036,424	22.99%	1,227	667	2.245	2.276
Agency - Step Ups	171,772	161,213	171,756	3.81%	1,260	695	1.048	1.063
Agencies - Mortgage Backed	6,934	6,690	6,974	0.15%	1,415	775	2.947	2.988
Supranationals	94,126	89,343	93,635	2.08%	1,408	863	1.792	1.817
Municipal Bonds	184,318	177,108	182,101	4.04%	1,351	882	3.239	3.284
Corporate Notes	1,060,850	1,010,537	1,038,756	23.04%	1,349	911	3.248	3.293
Corporate - Step Ups	20,888	19,898	20,883	0.46%	1,095	347	0.833	0.845
Corporate - Floating Rate	5,988	5,918	5,988	0.13%	1,461	443	0.644	0.653
Asset Backed Securities	29,161	28,146	29,157	0.65%	1,679	1,045	1.327	1.345
Promissory Notes	13,368	13,368	13,368	0.30%	1,817	822	3.363	3.410
	\$ 4,554,715	\$ 4,358,905	\$ 4,507,743	100.00%	1,140	672	2.900	2.94

**First 5 Tulare County
Federal Grant Management Guide**

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I. INTRODUCTION

This manual sets forth the policies and procedures used by First 5 Tulare County (First 5) to administer grant funds, including federal funds. The manual contains the internal controls and grant management standards used by First 5 to ensure that all funds are lawfully expended. It describes in detail First 5's financial management system, as well as cash management procedures, procurement policies, procedures for determining the allowability of expenditures, time and effort reporting, and sub-recipient monitoring responsibilities.

II. FINANCIAL MANAGEMENT SYSTEM

First 5 maintains a proper financial management system in order to receive both direct federal, state-administered federal, and non-federal grants and to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of an award.

A. Financial Management Standards for Federal Grants

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

Identification

First 5 must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

Financial Reporting

Accurate, current, and complete disclosure of the financial results of each federal award or program must be made in accordance with generally accepted accounting principles and federal and state guidelines.

Accounting Records

First 5 must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

Internal Controls

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. First 5 must adequately safeguard all such property and must assure that it is used solely for authorized purposes. “Internal controls” are tools to help staff achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance property and money is spent in accordance with grant program and to further the selected objectives; and
- Compliance with applicable laws and regulations.

Budget Control

Actual expenditures or outlays must be compared with budgeted amounts for each federal award.

Cash Management

First 5 must maintain written procedures to implement the cash management requirements of federal awards.

Allowable Costs

First 5 must maintain written procedures for determining allowability of costs of federal awards.

B. Overview of the Financial Management/Accounting System

First 5 uses Financial Edge NXT by Blackbaud for its accounting system and ADP for payroll. The staff involved in the financial management/accounting system include the Executive Director, Finance Manager, and Administrative/Fiscal Assistant.

The Chief Program Officer is responsible for carrying out the activities of the grant and producing the deliverables on schedule. The Administrative Assistant is responsible for data entry into the accounting system. The Finance Manager is responsible for the fiscal oversight of the grant. The Executive Director provides ongoing oversight and guidance.

C. Budgeting

When a grant award notice is received by First 5, the Finance Manager, Chief Program Officer and Executive Director work together to prepare a budget. The budget is an excel based grant tracking sheet that serves as a “crosswalk” between grantor-based approved budget line items and their corresponding internal account codes in Financial Edge NXT. It is also used to document all required identifying information for the grant.

Budget Control

First 5 controls grant expenditures at the line item level. As part of the creation of the budget, internal line item account codes are assigned to all expenses in the approved grant budget. In assigning these codes, the Finance Manager ensures that the internal codes assigned are unique amongst budget categories. The Finance Manager is responsible for appropriately coding appropriations according to the codes provided in the budget. In Financial Edge NXT, exceeding any grant budget line item amount causes an error, prompting an action by the Finance Manager.

D. Accounting Records

Accounting records are kept electronically and/or in hard copy. The Finance Manager is responsible for maintaining general accounting records.

E. Spending Federal Grant Funds

As the recipient of federal funds, First 5 is responsible for administering grants in a manner consistent with grantor terms and conditions. Federal funds must be administered in accordance with the cost principles contained in 2 CFR Part 200 the Uniform Administrative Requirements, Cost Principles and Audit Requirements for federal awards. The Finance Manager is ultimately responsible for ensuring compliance with 2 CFR Part 200.

Although each grant may have specific allowable and unallowable costs, First 5 adheres to the federal cost principles when developing and administering the budget. Federal cost principles require costs to be allowable, reasonable, and allocable. To meet the definition of “allowable,” a cost must:

1. Be necessary and reasonable to carry out the grant;
2. Be consistent with the policies and procedures that apply uniformly to federal and non-federally financed expenses;
3. Not be included as part of a match of federal funds; and
4. Be adequately documented.

To meet the definition of “reasonable,” the cost of the good or service does not exceed the amount a prudent person would spend on an item at the time the decision was made to incur the cost. Reasonable is further defined as:

1. Use of sound business practices, adherence to federal, state and local laws and regulations; and the terms and conditions of the Federal award.

To meet the definition of “allocable,” the cost of the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. Allocable is further defined as:

1. Costs are incurred specifically for the Federal award.
2. Costs can be distributed in proportions that may be approximated using reasonable methods.
3. Costs necessary to the overall operation of the non-Federal entity.

These definitions are copied from the Code of Federal Regulations (CFR).

While developing and reviewing the grant budget, staff should keep in mind the difference between direct costs and indirect costs.

Direct and Indirect Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (2 C.F.R. § 200.413(a)). Indirect costs are those that have been incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved (2 C.F.R. § 200.1). Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs (2 C.F.R. § 200.413(a)). Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award (2 C.F.R. § 200.413(b)). The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;

- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs (2 C.F.R. § 200.413(c)).

First 5 Tulare County uses the 10% de minimis rate for calculating indirect costs.

Determining Allowability of Costs for Federal Grants

Expenditures must be aligned with approved budgeted items. Any changes or variations from the approved budget and grant application need prior approval from the grantor.

When determining how First 5 will spend its grant funds, the Finance Manager will review the proposed cost to determine whether it is an allowable use of federal grant funds before obligating and spending those funds on the proposed good or service. All costs supported by federal funds must meet the standards outlined in 2 CFR Part 200. The Finance Manager must consider these factors when making an allowability determination.

1. Be Necessary and Reasonable for the performance of the federal award. First 5 staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- ❖ Whether the cost is a type generally recognized as ordinary and necessary for the operation of First 5 or the proper and efficient performance of the federal award.
- ❖ The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- ❖ Market prices for comparable goods or services for the geographic area.
- ❖ Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to First 5, its employees, its providers, the public at large, and the federal government.
- ❖ Whether First 5 significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost (2 C.F.R. §200.404).

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program.

Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether First 5 can demonstrate that the cost addresses an existing need, and can prove it.

When determining whether a cost is necessary, consideration may be given to:

- ❖ Whether the cost is needed for the proper and efficient performance of the grant program.
- ❖ Whether the cost is identified in the approved budget or application.
- ❖ Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- ❖ Whether the cost addresses program goals and objectives and is based on program data.

2. Allocable to a federal award. A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program (2 C.F.R. §200.405).
3. Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of First 5.
4. Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.
5. Consistent treatment. A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
6. Adequately documented. All expenditures must be properly documented.
7. Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in Part 200.
8. Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

9. Be incurred during the approved budget period.
10. Be the net of all applicable credits. The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate (2 C.F.R. §200.406).

Part 200’s cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and First 5-level requirements and policies regarding expenditures to be followed as well. For example, state and/or First 5 policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or First 5 policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law.

Selected Items of Cost

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.476. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. It should not be assumed that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

First 5 personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. First 5 must follow these rules when charging these specific expenditures to a federal grant. When applicable, First 5 staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, state, First 5 and program-specific rules may deem a cost as unallowable and First 5 personnel must follow those non-federal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461

Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

Likewise, it is possible for the state and/or First 5 to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, state and First 5 requirements when spending federal funds. First 5 employees must be aware of related state and First 5 rules and ensure they are complying with all requirements.

Frequent Types of Costs

Travel: Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient. Such costs may be charged on an actual cost basis, or mileage basis in lieu of actual costs incurred, or on a combination of the two, and result in charges being consistent with those normally allowed in like circumstances in the recipient's non-federally funded activities and in accordance with the recipient's written travel reimbursement policies (2 C.F.R §200.475(a)). Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by First 5 in its regular operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the First 5's established policy (2 C.F.R §200.475(b)). In addition to the federal guidelines regarding travel, employees and officers must adhere to the First 5 travel policy.

Salaries Time And Effort: All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant

activities. This includes an employee whose salary is paid with state or local funds but is used to meet a required “match” in a federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation to federal grants unless waived by the federal awarding agency or the state agency providing the funding.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed (2 C.F.R. §200.430(i)(1)). These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by First 5 on an integrated basis;
- Comply with the established accounting policies and practices of the district and
- Support the distribution of the employee’s salary or wages among specific activities or costs objectives.

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, First 5 staff can refer to this section for a useful framework when performing an allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, First 5 should also consider whether the proposed cost is consistent with the underlying needs of the program. Also, funds should be targeted to address areas of weakness, as necessary.

F. Federal Cash Management Policy/Procedures

First 5 will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by First 5, in accordance

with the Cash Management Improvement Act at 31 CFR Part 205 Subpart B. Generally, the Organization receives payment from the State or Federal Government on a reimbursement basis. 2 CFR §200.305. However, if First 5 receives an advance in federal grant funds, First 5 will remit interest earned on the advanced payment quarterly to the federal agency. First 5 may retain interest amounts up to \$500 per year for administrative expenses. 2 CFR § 200.305(b)(9).

Payment Methods

Reimbursements: First 5 will only charge federal grant expenditures to federal funds. The First 5 Finance Manager will request reimbursement for actual expenditures incurred under the federal grants quarterly, monthly, or as specified in the grant award.

Consistent with state and federal requirements, First 5 will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for auditors, program specific staff, or Federal awarding agency personnel to review upon request.

Advances: To the extent First 5 receives advance payments of federal grant funds, First 5 will strive to expend the federal funds on allowable expenditures as expeditiously as possible.

First 5 will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. First 5 will begin to calculate interest earned on cash balances once funds are deposited into First 5’s account.

G. Timely Obligation of Federal Funds

When Obligations are Made

Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. 34 C.F.R. § 200.71

The following table illustrates when funds are determined to be obligated under federal regulations:

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which First 5 makes a binding written commitment to acquire the property
Personal services by an employee of the Organization	When the services are performed

Personal services by a contractor who is not an employee of First 5	On the date which First 5 makes a binding written commitment to obtain the services
Public utility services	When First 5 receives the services
Travel	When the travel is taken
Rental of property	When First 5 uses the property
A pre-agreement cost that was properly approved under the cost principles in 2 CFR part 200, Subpart E- Cost Principles.	On the first day of the project period.

34 C.F.R. §75.707; 34 C.F.R. §76.707.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 2 C.F.R. §200.309. This period of time is known as the period of performance. 2 C.F.R. §200.77. The period of performance is dictated by statute and will be indicated in the grant award. Further, certain grants may have specific requirements for carryover funds that must be adhered to.

Direct Grants: In general, the period of availability for funds authorized under direct grants is identified in the grant award.

First 5 must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 C.F.R. § 200.343(b). Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and must be returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, First 5 closely monitors grant spending throughout the grant cycle.

III. Procurement System

The Executive Director and Finance Manager determine program needs and current budget per the external funder's award, and follow First 5's procurement policies, federal laws, state regulations and Uniform Guidance standards for determining procurement process based on award amount.

Uniform Guidance thresholds for purchases (§200.320):

- ❖ Micro-purchase – up to \$10,000 (*competitive quote or bid is not required, but subject to aggregate purchases with the same entity*)
- ❖ Small purchase – up to \$250,000 (with informal bids or quotes)
- ❖ Sealed bids (firm priced contracts) – over \$250,000
- ❖ Competitive RFP proposals – over \$250,000
- ❖ Noncompetitive (sole source) proposals – threshold varies, based on specific criteria. Justification for sole sources include documenting the cost analysis efforts, market research, contractor/vendor expertise, quotes via email, website or other pricing information.

Current First 5 procurement thresholds may differ than the Uniform Guidance. The most restrictive threshold policy applies.

IV. Subrecipient Monitoring

Prior to entering into any contract on a federal grant, the Finance Manager reviews the characteristics of the services to be provided to determine whether the vendor should be considered a subrecipient or contractor based on the criteria in 2 CFR 200.331 (summarized below).

Subrecipients' characteristics are:

- Determines who is eligible to receive what federal assistance;
- Has its performance measured in relation to whether objectives of a federal program were met;
- Has responsibility for programmatic decision making;
- Is responsible for adherence to applicable federal program requirements specified in the federal award; and
- In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Contractors' characteristics are:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Normally operates in a competitive environment;
- Provides goods or services that are ancillary to the operation of the federal program; and

- Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.

Any questions about this determination should be directed to the Finance Manager prior to any grant application. In the event that the agreement is determined to be a subaward, the Finance Manager, Executive Director and Legal Counsel will create a subrecipient grant agreement. The subrecipient grant agreement must include:

- Federal Award Identification information (subrecipient name, unique identifier, and FAIN; federal award date, period of performance, amount of obligated funds for the agreement and in total; project description; federal awarding agency, pass-through entity with amount of award and CFDA number)
- Requirements to ensure that the subaward is used in accordance with federal statutes, regulations, and terms and conditions of the award as well those necessary for First 5 to meet its own responsibilities
- Permission for auditors to have access to the subrecipient's records and financial statements, as necessary
- Terms and conditions for closeout of the subaward

In the event that First 5 awards subgrants to other entities, it is responsible for monitoring those grant subrecipients to ensure compliance with federal, state, and local laws. Monitoring is the regular and systematic examination of all aspects associated with the administration and implementation of a program, and, for federal grants, must include reviewing financial and performance reports; following up on deficiencies; verifying that the subrecipient is audited if the agreement exceeds \$750,000 for the fiscal year; issuing management decisions for audit findings pertaining to the federal award; and taking action against noncompliant subrecipients.



AGENDA

October 12, 2023, 10:00 a.m.
Tulare County Office of Education - Elderwood Room
7000 Doe Avenue
Visalia, California

1. Welcome and Call to Order (*Karen Elliott, Chair*)
2. Public Comment
3. Timed Items:
 - 10:01 a.m. Review and Approval of the 2022-2023 Audit
 - 10:01 a.m. Review and Approval of the 2022-2023 Annual Report to be Submitted to First 5 California
4. Consent Items:
 - A. Approval of June 22, 2023, Meeting Minutes
 - B. Accept agreement termination from Family HealthCare Network
 - C. Ratify regional grant agreement from First 5 Merced County
5. Action Items:
 - A. Accept Financial Report for the period ending June 30, 2023 (*Aaron Cooper*)
 - B. Accept the Investment Report for the period ending June 30, 2023 (*Aaron Cooper*)
 - C. Approve participation in Imagination Library Program (*Michele Eaton*)
6. Reports
 - A. 2022-23 Evaluation Report from Barbara Aved, Ph.D., Evaluation Consultant
 - B. Executive Director Report
 - C. Reports from Commissioners
7. Future Agenda—December 14, 2023
 - 2024 Commission Meeting Calendar
 - 2024 – 2027 General Program RFP
8. Adjourn