



**FINANCE/AUDIT COMMITTEE
Family Resource & Referral Center
509 West Weber Ave. Suite 101
Stockton, CA 95203
November 14, 2019 - DRAFT
3:00 p.m.**

1. Call to Order

Meeting was called to order by Michael Miller at 3:00 p.m.

Committee Members Present: Michael Miller, Kay Ruhstaller, Carl Toliver

Staff Members Present: Tony Rocha, Deputy Director, Lani Schiff-Ross, Executive Director, Dan Platt, Accountant III, and Tanimu Dasin, Accountant II

Community Members Present: None

A quorum was declared.

2. Chair Miller called for announcement of recusals.

There were none.

3. Approve Meeting Minutes from May 13, 2019.

The Finance/Audit Committee Meeting Minutes from the May 13, 2019 meeting were approved.

Motion was made to approve the minutes of May 13, 2019. Toliver/Ruhstaller: 3/0 motion carries

4. Review Fiscal Year 2018-2019 Audit and Annual State Report to First 5 California.

The 2018-2019 First 5 San Joaquin Audit report issued by Eide Bailly, LLP with no findings and the annual state report to First 5 California were discussed. The reports were submitted to the State before the deadline of November 1, 2019.

5. Review Quarter Reports for the Commission Budget: Fourth Quarter 2018-2019 (April – June, 2019) and First Quarter 2019-2020 (July – September, 2019).

Discussion was held on the reports, with staff sharing that the reports are on an accrual basis and agree with the audited financial statements at the end of the year.

6. Review and Approve Revised 2019-2020 Commission Budget.

The following changes to the 2019-2020 Commission Budget were discussed.

The 2019-2020 Commission Budget has been revised to include the actual Beginning Fund Balance (Accrual Basis):

1. Actual Beginning Fund Balance (Accrual Basis) - **\$3,967,024**. An increase of \$1,005,828 over the original budget of \$2,961,196 due to the following results in 2018-2019:
 - a. Savings by contractors, all programs - \$1,365,434
 - b. Savings by administration - \$90,820
 - c. Higher than budgeted Prop 10 receipts – \$244,063
 - d. Lower than budgeted revenue from CalWORKs for CalWORKs Preschool Slots – (\$93,264)
 - e. Lower than budgeted revenue from CalWORKs for Help Me Grow – (\$5,842)
 - f. Lower than budgeted CalWORKs Substance Abuse funding – (\$4,702)
 - g. Lower than budgeted CalWORKs Mental Health funding – (\$10,686)
 - h. Lower than budgeted San Joaquin Treatment & Education for Everyone on Teeth & Health (SJ TEETH) - (\$580,586). This funding rolls over to future fiscal years.
 - i. Lower than budgeted Improve and Maximize Programs so All Children Thrive (IMPACT) revenue – (\$29,415). This funding rolls over to future fiscal years.
 - j. Lower than budgeted Public Health Services Proposition 56 – Oral Health – (\$3,950)
 - k. Lower than budgeted CA Dept of Social Services Home Visitation Program (FamilyWORKs) – (\$32,742)
 - l. Higher than budgeted Interest Earnings – \$66,698.
2. Adjusted the SJ TEETH revenues up by \$329,262 to **\$2,306,029** to match the adjusted FY 2019-2020 budgeted expenses.
3. Adjusted IMPACT revenues up by \$29,413 to **\$639,775** to match the adjusted FY 2019-2020 budgeted expenses.
4. Removed San Joaquin County Human Services Agency (HSA) CalWORKs Family Stabilization Preschool Slots funding due to the uncertainty of which preschool programs might still be continuing in FY 2021-2022 when the funding for FY 2019-2020 would be available for use.
5. Adjusted interest income up \$3,873 to **\$29,827** due to the increase in beginning fund balance.
6. Adjusted IMPACT expenses up by \$29,413 to **\$639,775** to match the IMPACT budget approved by First 5 California.
7. Adjusted IMPACT Incentive Layer budgeted expenditures up by **\$29,840 to \$157,841**, representing IMPACT funds received in FY 2017-2018 and FY 2018-2019 but not yet spent.
8. Added Reinvent Stockton Foundation Scholarships expense of **\$6,300** representing unused funding received in FY 2018-2019 for Early Childcare Education scholarships in FY 2019-2020.
9. Adjusted Help Me Grow expenses up \$9,675 to **\$355,675** to include the expenses associated with unused funding received from Lucile Packard Foundation in FY 2018-2019.
10. Adjusted the SJ TEETH expenses up by \$329,262 to **\$2,306,029** to match the budgets submitted to the California Department of Health Care Services for the calendar year 2020, the final year of this funding.
11. Further broke out the First 5 related budgeted expenses under the **JourneyWORKs** program .
12. Further broke out the First 5 related budgeted expenses under the **HousingWORKs** program.
13. Adjusted Net Operating Expenses down by \$35,658 to **\$1,118,168** to include changes to recoveries of salaries and benefits for the coordination of SJ TEETH, JourneyWORKs, and HousingWORKs.

The proposed reductions to preschool programs for FY 2020-2021 as directed by the Commission at its October 24, 2019 meeting were discussed.

Motion was made to approve the Revised 2019-2020 Commission Budget. Toliver/Ruhstaller: 3/0 motion carries

7. Review and Approve Revised Ten-Year Plan

Ten-Year Plan Updates – the following updates have been included:

1. Actual results for the 2018-2019 Fiscal Year.
2. The unspent budget of \$1,365,434 from the 2018-2019 fiscal year, less \$565,434 designated for programs not funded by Prop 10, is rolled over to the 2023-2024 fiscal year in the amount of \$800,000 in order to allow for any strategic plan decisions that the Commission may want to make. An additional \$81,736 received from CalWORKs for preschool slots in FY 2018-2019 is included to be applied to the Preschool Initiative in FY 2020-2021.
3. The changes to the 2019-2020 Fiscal Budget as approved in Agenda Item #6.
4. The Preschool Initiative funding has been included in Non Designated Funds for fiscal years 2021-2022 and 2022-2023 due to unknown amount of allocation per preschool program based on reduced funding offered as approved by the Commission at its October 24, 2019 meeting.
5. Realignment of Non Designated Funds in future years based on reductions to programs beginning in FY 2020-2021 to maintain a minimum fund balance of \$1,500,000.

Additionally, it was discussed that funds available for designated programs after fiscal year 2019-2020 are unknown at this time, other than the last six months of the SJ TEETH program which ends December 31, 2020. Funding will be available for the IMPACT program past June 2020 but the amount is not known at this time. New funding sources for oral health programs are being sought out but are unknown at this time. Other funding through CalWORKs and the California Department of Social Services past fiscal year 2019-2020 is expected to be available but the amounts are unknown at this time. Depending on the impact of increased tobacco taxes and the availability of current CalWORKs and other funding, revenues may need to be adjusted again before the end of the fiscal year.

***Motion was made to approve the revised Ten-Year Plan.
Toliver/Ruhstaller: 3/0 motion carries***

8. Review and Approve Accounts Receivable Policy:

It was discussed that First 5 San Joaquin revenues for the last quarter of a fiscal year are often not received within San Joaquin County's prescribed 60 day time frame and cannot therefore be recognized as revenues in the fiscal year for which they pertain. As a Discretely Presented Component Unit (legally separate) of San Joaquin County, First 5 San Joaquin may elect to adopt separate policies from that of the County. It was recommended that First 5 San Joaquin adopt this Recognition of Revenue policy as a separate policy from the County's policy retroactive to July 1, 2018.

Once approved, the policy will be added retroactively to the First 5 San Joaquin Internal Policies and Procedures Manual under section 4.9.2 as follows:

4.9.2 Financial Reporting Policies:

4.9.2.1 Recognition of Revenue

First 5 San Joaquin will recognize any revenues pertaining to any fiscal year which has ended if the funds are expected to be received by the San Joaquin County Treasurer, or by First 5 San Joaquin staff, for deposit within 120 days following the fiscal year end.

Revenues earned in any fiscal year, but not expected to be received within 120 days of that fiscal year's end, must be recorded as *Unavailable Revenue(s)* on the *Balance Sheet* and not recognized in that fiscal year's *Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund as Revenues*. The revenue is, however, recognized as *Revenue* in that fiscal year's *Statement of Activities – Governmental Activities* and is therefore included in the Commission's *Statement of Net position – Governmental Activities* as well.

***Motion was made to approve the Accounts Receivable Policy.
Ruhstaller/Miller: 3/0 motion carries***

9. Review Cumulative Penalty Report

The Penalty Log through October 31, 2019 was reviewed.

10. Review Revenue and Spending Trends Graph

The Revenue and Spending Trends Graph was reviewed. The graph displays a baseline year of 2007-2008 when balances were at a high point, to the projected trends of a decreasing revenue stream from Proposition 10 beginning in 2013-2014, supplemented by IMPACT and available CalWORKs funding in FY 2016-2017 and SJ TEETH beginning in FY 2017-2018. Spending for 2018-2019 represents increases for SJ TEETH and other CalWORKs funding for special project expenses. Funding and expenditures in FY 2019-2020 represent increases in designated funding for SJ TEETH, FamilyWORKs, JourneyWORKs, and HousingWORKs. Funds available for non-designated initiatives are expected to decline beginning in FY 2020-2021 in order to maintain the Commission approved reserve fund balance of \$1,500,000. Designated funding past FY 2019-2020 has not yet been secured.

11. Review First 5 San Joaquin Five- Year Budget to Actual Comparison

The Five- Year Budget to Actual Comparison was reviewed. Notable are the efforts that have been made by the Commission over the five years to continue providing much needed services to the community by authorizing additional funding streams such as IMPACT, Help Me Grow, preschool slots provided to children of CalWORKs families, FamilyWORKs, and SJ TEETH to address the declining contribution of Proposition 10 revenues to the fund balance.

Finance/Audit Committee

Draft Summary

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12. Discuss Topics for Next Meeting

Next meeting will be in Spring 2020 to discuss the FY 2020-2021 Budget.

13. Committee Member Comments

None

14. Public Comments

None

15. Adjourn to Next Meeting.