

**CHILDREN AND FAMILIES COMMISSION
OF SAN LUIS OBISPO COUNTY**

FINANCIAL STATEMENT
JUNE 30, 2025

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Financial Section

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Children and Families Commission of San Luis Obispo County
San Luis Obispo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Children and Families Commission of San Luis Obispo County (the Commission) as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2025, and the respective changes in financial position for the fiscal 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission 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.

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 Commission'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.

Auditor's 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 auditor's report that includes our opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Commission'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 Commission'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary information, the schedule of proportionate share of net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of the Children and Families Commission of San Luis Obispo County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and

not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Moss, Levy & Hartzhein LLP

Santa Maria, California
October 23, 2025

DRAFT

Commissioners
(as of June 30, 2025)**Dawn Ortiz-Legg**
Chair*Designated Representative,
San Luis Obispo County
Board of Supervisors***James Brescia, EdD**
(Vice Chair)*Designated Representative,
San Luis Obispo County
Office of Education***Michelle Auran, MD***Medical Representative
Bravo Pediatrics,
Tri-Counties Regional Center***Penny Borenstein, MD***Designated Representative,
San Luis Obispo County
Health Agency***Patty Clarkson, EdD***Designated Representative,
Early Care and Education
Planning Council***Nancy Kuster***Designated Representative,
San Luis Obispo County
Department of Social Services***Leslie Mehigan***Representative at Large
Adventist Health/Twin Cities
Hospital IBCLC***Erica Ruvalcaba-Heredia, EdD***Representative at Large,
Corazón Latino***Alison Ventura, PhD***Representative at Large,
Cal Poly Kinesiology, Public
Health*

Executive Director

Wendy L. Wendt**Management's Discussion and Analysis**
For the Year Ended June 30, 2025

In November 1998, voters passed a statewide ballot initiative to add a surtax to tobacco products (Proposition 10). The monies collected are to be used to fund programs that promote early childhood development, from prenatal to age five. The intent is for all California children to be healthy, to live in a healthy and supportive environment, and to enter school ready to learn.

The San Luis Obispo County Board of Supervisors created the Children and Families Commission of San Luis Obispo County in 1998 under the provisions of the California Children and Families Act. The Commission consists of nine commissioners appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County.

As management of the Children and Families Commission of San Luis Obispo County, we offer readers this overview of the Commission's financial activities for the fiscal year ended June 30, 2025.

Financial Highlights

- Beginning in FY 2014-15, the Government Accounting Standards Board (GASB) Statement No. 68 requires reporting of long-term pension liabilities for CalPERS pension plans. This requirement applies to Government-wide financial statements which report long-term liabilities, but does not apply to Fund statements, which report near-term liabilities.
- The Commission received a total of \$3,465,723 in revenues in FY 24-25. This included \$1,313,012 from the State of California from revenues collected under the California Children and Families Act (Proposition 10, including \$390,470 backfill funds under Proposition 56, \$19,657 in CA Excise Tax on Electronic Tobacco – CECET, and \$9,316 interest apportionment from the state Surplus Monetary Investment Fund - SMIF). The three-county regional IMPACT Legacy initiative yielded \$1,539,128 in revenue. A new grant-funded project through Uplift Central Coast brought in \$13,926. Medi-Cal Administrative Activities (MAA) revenue totaled \$44,506. Additional revenue in the amount of \$63,679 was received, primarily from First 5 Santa Barbara County as part of a regional home visiting initiative funded by First 5 CA.
- Yearly interest from the San Luis Obispo County Treasurer was \$491,473, including two year-end Market Value Adjustments netting \$145,301.
- During the current fiscal year, the Commission disbursed \$2,510,196 in grants to contracted service providers, to systems change/advocacy and evaluation.

Management's Discussion and Analysis
For the Year Ended June 30, 2025

- The *net position* (see “Government-wide financial statements” on p. 9) of the Children and Families Commission of San Luis Obispo County exceeded its liabilities and deferred inflows at the close of the current fiscal year by \$9,528,847. The *fund balance* (see Fund financial statements on p. 11) is \$9,591,022. The entire fund balance amount is funding classified as nonspendable, restricted, committed, and assigned to Commission operations and programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis area is intended to serve as an introduction to the Children and Families Commission of San Luis Obispo County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements, and a compliance section.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Children and Families Commission of San Luis Obispo County's finances, in a manner similar to a private sector business. Government-wide financial statements report long-term liabilities.

The *statement of net position* presents information on all of the Children and Families Commission of San Luis Obispo County's assets and liabilities, with the difference between the two reported as *net position*.

The *statement of activities* presents information showing how the Children and Families Commission of San Luis Obispo County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned, but unused vacation leave).

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Children and Families Commission of San Luis Obispo County, like local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The Commission adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget. It should be noted that the GASB 68 requirements apply to Government-wide reporting of long-term liabilities, but do not affect Fund financial statements. For more information see pages 12 and 14: Reconciliation of Government-Wide and Fund Financial Statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-27 of this report.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Children and Families

Management's Discussion and Analysis
For the Year Ended June 30, 2025

Commission of San Luis Obispo County's finances. Required supplementary information can be found beginning on page 28 of this report.

Compliance section. The independent audit also includes a report on internal control over 1) financial reporting and 2) compliance (beginning on page 31 of this report). The test of compliance uncovered no material findings and no deficiencies in internal controls.

COMMISSION FINANCIAL ANALYSIS

This Management Discussion & Analysis uses the Fund Financial Statements for the following year-to-year comparisons.

Fund Balance. The Fund Balance may serve over time as a useful indicator of a Commission's financial position. In the case of the Children and Families Commission of San Luis Obispo County, the Fund Balance was \$9,591,022 at the close of FY24-25. However, financial statement users need to consider other factors, both financial and non-financial, in assessing the Commission's financial position. These factors include changes in services, changes in state funding, changes in the economy and other external factors outside of the Commission's control (e.g. enacted legislation).

Changes in the Commission's Assets/Liabilities/Fund Balance (in thousands) were as follows:

TABLE 1

	2024-25	2023-24	Change
ASSETS			
Cash and Investments	\$ 9,933	\$ 9,677	\$ 256
Due from other agencies	910	855	55
Prepaid expenditures	4	4	1
Deposits	4	4	0
Total assets	<u>\$ 10,851</u>	<u>\$ 10,540</u>	<u>\$ 311</u>
LIABILITIES AND FUND BALANCE			
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,250	\$ 1,298	\$ (48)
Accrued Payroll liabilities	9	4	5
Total liabilities	<u>\$ 1,259</u>	<u>\$ 1,302</u>	<u>\$ (43)</u>
<u>FUND BALANCES</u>			
Nonspendable	\$ 7	\$ 7	\$ -
Restricted	-	-	-
Committed	6,138	5,040	1,098
Assigned	3,446	4,191	(745)
Total fund balances	<u>\$ 9,591</u>	<u>\$ 9,238</u>	<u>\$ 353</u>
TOTAL Liabilities and Fund Balances	<u>\$ 10,850</u>	<u>\$ 10,540</u>	<u>\$ 310</u>

The most significant portion of the Commission's assets is its cash and investments balance (\$9.933 million). This represents resources received from First 5 California from Proposition 10 taxes that have not been expended and are committed to future periods and programs through the Commission's long-range sustainability plan (FY 2023-32). Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Included in Assets are \$909,518 in Commission receivables due from other agencies, including: First 5 California for Proposition 10 allocations (\$164,173), First 5 CA IMPACT Legacy Revenue (\$696,400),

Management's Discussion and Analysis
For the Year Ended June 30, 2025

Uplift Central Coast (\$13,926), and Regional Home Visiting Revenue from First 5 Santa Barbara (\$35,019). The Commission also reports payables of \$1,249,559, representing payments due on grant service contracts that had not been expended at year-end, and \$9,128 in accrued payroll liabilities.

Revenues. The Commission receives the vast majority of its revenue from the state allocation of Proposition 10 funds or from interest earned from its investments. In the fiscal year ending June 30, 2025, the amount received through core Proposition 10 funds (including Proposition 56 backfill funds) was a 8% decrease of \$115,075 compared to the prior fiscal year. The Commission invests its funds in the San Luis Obispo County Treasury, which returned \$491,473 in local interest for FY 2024-25, which includes a total of \$145,301 in year-end market rate adjustments.

Changes in the Commission's revenues (in thousands) were as follows:

TABLE 2

	2024-25	2023-24	Change	%
Revenues				
Prop. 10 and 56 allocation	\$ 1,313	1,428	\$ (115)	-8%
F5 CA (IMPACT Legacy; FY23-24 inc SSA)	1,539	1,419	\$ 120	8%
Uplift Central Coast (Child Care Coalition)	14	-	\$ 14	100%
MediCal Administrative Activities (MAA)	45	32	13	41%
Other revenue (FY23-24 incl IMPACT SSA)	64	91	(27)	-30%
Investment Income	491	424	67	16%
Total revenue	<u>\$ 3,466</u>	<u>\$ 3,394</u>	<u>\$ 72</u>	<u>2%</u>

Total revenue (see above) consisting of Proposition 10 funds, IMPACT funds, MAA revenue and interest income experienced a slight increase from \$3.394 million to \$3.466 million for the year ended June 30, 2025. This 8% uptick is due to a slight increase in the annual regional First 5 California IMPACT Legacy reimbursement for Region 7 activities across San Luis Obispo, Santa Barbara and Ventura Counties, with First 5 San Luis Obispo County serving as the fiscal lead agency. Favorable interest returns also contributed to the increase, as did a contribution from First 5 Santa Barbara's regional Home Visiting grant for local activities in SLO County and a new grant from Uplift Central Coast. Core Proposition 10 combined with Proposition backfill revenues experienced an 8% decrease.

Expenditures. During FY 2024-25, total Commission expenditures were \$3.113 million, a slight decrease of 8% from the prior fiscal year. These expenditures included \$2,510,196 disbursed to outside contracted service providers within San Luis Obispo County and to support systems change and advocacy efforts, and evaluation.

Management's Discussion and Analysis
For the Year Ended June 30, 2025

Changes in the Commission's expenses (in thousands) were as follows:

TABLE 3

	2024-25	2023-24	Change	%
Administrative expenses				
Services and Supplies	\$ 259	\$ 230	\$ 29	13%
Rent and utilities*	40	39	1	4%
Program Expenses				
Program Related Admn.	304	282	22	8%
Priority Areas				
<i>Child Health</i>	520	711	(191)	-27%
<i>Early Learning</i>	25	238	(213)	-90%
<i>Family Strengthening</i>	358	362	(4)	-1%
IMPACT Legacy Program (FY23-24 incl SSA)	1,533	1,409	124	9%
UPLIFT Child Care Coalition	9	-	9	100%
Evaluation - General	38	40	(2)	-5%
Systems Change/Advocacy/Media	12	43	(31)	-72%
Kits for New Parents	6	9	(3)	-33%
Event Sponsorships	9	8	1	8%
Emergency Response Funding	-	-	-	
Total expenses	\$ 3,113	\$ 3,371	\$ (258)	-8%

*defined as Debt Service: Principle on Lease +Interest on Lease

Capital assets. At the beginning of the current fiscal year the Commission had \$0 in net capital assets. There were no capital assets purchased in FY 2024-25.

Requests for information. This financial report is designed to provide a general overview of the Children and Families Commission of San Luis Obispo County's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Children and Families Commission of San Luis Obispo County, 3220 South Higuera St., Suite 232, San Luis Obispo, CA 93401.

Children and Families Commission of San Luis Obispo County
Statement of Net Position
June 30, 2025

Governmental
Activities

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Cash and investments	\$ 9,932,914
Due from other governments	909,518
Prepaid expenses	3,500
Deposits	<u>3,777</u>
Total assets	<u>10,849,709</u>

DEFERRED OUTFLOWS OF RESOURCES

Related to pension	<u>98,498</u>
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Total assets and deferred outflows of resources	<u><u>\$ 10,948,207</u></u>
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 1,249,559
Salaries and employee benefits payable	9,128
Current portion of compensated absences payable	<u>17,438</u>
Total current liabilities	<u>1,276,125</u>

NONCURRENT LIABILITIES

Compensated absences payable, net of current portion	5,813
Net pension liability	<u>136,960</u>

Total liabilities	<u>1,418,898</u>
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DEFERRED INFLOWS OF RESOURCES

Related to pension	<u>462</u>
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NET POSITION

Unrestricted	<u>9,528,847</u>
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Total net position	<u>9,528,847</u>
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Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 10,948,207</u></u>
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Children and Families Commission of San Luis Obispo County

Statement of Activities

Year Ended June 30, 2025

		Program Revenues		
		Operating	Capital	Net (Expense)
	Expenses	Charges for	Contributions	Revenue and
		Services	and Grants	Changes in
			and Grants	Net Position
Governmental activities				
Child development services	\$ 3,124,988	\$ —	\$ 2,910,571	\$ —
Total governmental activities	\$ 3,124,988	\$ —	\$ 2,910,571	\$ —
General revenues				
Investment income				491,473
Other revenue				63,679
Total general revenues				555,152
Change in net position				340,735
NET POSITION, beginning of year				9,188,112
NET POSITION, end of year				\$ 9,528,847

Children and Families Commission of San Luis Obispo County
Balance Sheet – Governmental Fund
June 30, 2025

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 9,932,914
Due from other agencies	909,518
Prepaid expenses	3,500
Deposits	<u>3,777</u>
Total assets	<u><u>\$ 10,849,709</u></u>
LIABILITIES AND FUND BALANCES	
Accounts payable and accrued expenses	\$ 1,249,559
Salaries and employee benefits payable	<u>9,128</u>
Total liabilities	<u>1,258,687</u>
Fund Balances	
Nonspendable	7,277
Committed	6,137,569
Assigned	<u>3,446,176</u>
Total fund balances	<u>9,591,022</u>
Total liabilities and fund balances	<u><u>\$ 10,849,709</u></u>

Children and Families Commission of San Luis Obispo County
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2025

Total fund balances - governmental fund \$ 9,591,022

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	\$ (23,251)	
Net pension liability	<u>(136,960)</u>	
		(160,211)

Deferred outflows and inflows of resources: In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources are reported.

Deferred outflows of resources relating to pension	\$ 98,498	
Deferred inflows of resources relating to pension	<u>(462)</u>	
		<u>98,036</u>

Total net position - governmental activities \$ 9,528,847

Children and Families Commission of San Luis Obispo County**Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2025**

	<u>General Fund</u>
REVENUES	
Proposition 10 taxes	\$ 1,313,012
Grant revenue	1,553,053
MediCal administrative agreement reimbursement income	44,506
Investment income	491,473
Other revenue	<u>63,679</u>
Total revenues	<u>3,465,723</u>
EXPENDITURES	
Administrative expenses	259,168
Program related administrative expenses	303,541
Program expenditures	2,510,196
Debt service	
Principle on lease	38,984
Interest on lease	<u>683</u>
Total expenditures	<u>3,112,572</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>353,151</u>
NET CHANGE IN FUND BALANCE	353,151
FUND BALANCE, beginning of year	<u>9,237,871</u>
FUND BALANCE, end of year	<u><u>\$ 9,591,022</u></u>

Children and Families Commission of San Luis Obispo County
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2025

Net change in fund balance - governmental fund \$ 353,151

Amounts reported for governmental activities in the statement of activities are different because:

Right-to-use assets are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets are allocated over length of the lease. This is the amount by which additions to right to use assets of \$0 is less than amortized expense of \$37,866.

(37,866)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:

(9,122)

The issuance of lease payable provides current financial resources to governmental funds, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable and related items.

Principal payments on lease liability

\$ 35,780

35,780

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid). This fiscal year, vacation earned exceeded the amounts used by \$1,208.

(1,208)

Change in net position - governmental activities

\$ 340,735

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Children and Families Commission of San Luis Obispo County (the “Commission”) was established on December 15, 1998, in accordance with the California Children and Families First Act of 1998 (Health and Safety Code §130140) and pursuant to San Luis Obispo County Ordinances Nos. 2846, 2868, and 2886. The Commission operates as a legally separate entity under the administrative oversight of the County of San Luis Obispo.

The Commission is governed by a nine-member board appointed by the San Luis Obispo County Board of Supervisors. Its mission is to support the development and implementation of a comprehensive, integrated, and collaborative system of programs and services that promote early childhood development and school readiness for children from the prenatal stage through age five.

The Commission is considered a legal public entity separate from the County of San Luis Obispo, however, the Commission is a component unit of the County for financial reporting purposes.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission’s remaining assets.

B. Basis of Presentation and Measurement Focus

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the authoritative body responsible for establishing these principles for state and local governments.

Government-wide financial statements – The government-wide financial statements consist of the statement of net position and the statement of activities and display information about the primary government (the Commission).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The statement of activities presents a comparison of direct expenses and program revenues for the Commission’s governmental activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include grants that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented as general revenues.

Fund financial statements – The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balances. These statements are presented on a current-financial resources measurement focus. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal year. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Revenue recognition – Revenues are classified based on the nature of the transaction and recognized in accordance with the applicable basis of accounting, as established by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

Exchange transactions – Transactions in which each party receives and sacrifices essentially equal value are recognized under the accrual basis when the exchange occurs, and under the modified accrual basis when the resulting revenues are both measurable and available.

Nonexchange transactions – Transactions such as grants and property taxes, in which the Commission receives value without directly providing equal value in return, are recognized under the accrual basis when all eligibility requirements are met. Under the modified accrual basis, nonexchange revenues are recognized when both measurable and available to finance current-period expenditures.

C. **Fund Accounting**

The accounts of the Commission are structured using the principles of fund accounting, which are designed to demonstrate compliance with finance-related legal and contractual requirements. A fund is a separate accounting entity with a self-balancing set of accounts that includes assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to individual funds based on their intended purpose and the legal or operational constraints placed on their use.

The Commission reports its financial activity in a single major governmental fund:

General Fund – This fund is the primary operating fund of the Commission. It accounts for all financial resources and activities not required to be reported in another fund. All Commission revenues and expenditures are recorded in the General Fund.

D. **Budgetary Accounting**

The Commission adopts an annual operating budget for its General Fund on or before August 30 of each fiscal year. Upon adoption, the proposed expenditure amounts become legally authorized appropriations, which may not be exceeded without formal Board approval. The Board of Commissioners retains the authority to amend the budget throughout the fiscal year by motion. Both the original budget and any revisions approved during the year are presented in the accompanying financial statements. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered.

E. **Prepaid Items**

The Commission has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The Commission has chosen to report the expenditure during the period benefited.

F. **Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services and are typically used to reserve portions of appropriations prior to actual expenditures. The Commission does not utilize encumbrance accounting. Accordingly, purchase orders, contracts, and other commitments are not recorded until actual expenditures are incurred.

G. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

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H. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. This includes any liabilities with maturities extending beyond one year, such as compensated absences or future contractual obligations. In the fund financial statements, the issuance of long-term debt is reported as an other financing source, while repayment of principal is reported as an expenditure. Long-term liabilities are not reported in the governmental fund balance sheets because they do not represent current financial obligations.

I. Compensated Absences

The Commission's policy permits employees to accumulate earned but unused vacation leave, which is vested and payable upon termination of employment. In the government-wide financial statements, the liability for all accrued vacation leave is recognized as a long-term obligation in the statement of net position.

In the governmental fund financial statements, a liability is recognized only to the extent that the obligation is expected to be liquidated with expendable available financial resources. The portion of accrued vacation not expected to be paid with current financial resources is reported only in the government-wide financial statements.

J. Fund Balance Classification

Fund balance in the governmental fund is reported in accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and is classified based on the relative strength of the constraints that control how specific amounts can be spent. The classifications are defined as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, such as prepaid items, or are legally or contractually required to remain intact.

Restricted – includes amounts that are constrained for specific purposes by external parties, such as creditors, grantors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to formal action of the Commission's governing board. Such constraints can only be changed or removed by the same type of formal action.

Assigned – includes amounts that are intended to be used for a specific purpose but do not meet the criteria to be classified as restricted or committed. Assignments may be made by the governing board or by an official to whom the board delegates authority.

Unassigned – is the residual classification for the General Fund. It includes all amounts not classified in the categories described above. Unassigned amounts are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, the Commission applies restricted resources first. For unrestricted fund balance amounts, the Commission's policy is to apply committed funds first, followed by assigned funds, and then unassigned funds as necessary.

K. Deferred Outflows and Inflows of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as*

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

Assets and Liabilities, the Commission reports deferred outflows and deferred inflows of resources separately from assets and liabilities in the Statement of Net Position.

A deferred outflow of resources represents a consumption of net position that applies to a future reporting period. Conversely, a deferred inflow of resources represents an acquisition of net position applicable to a future period. These items are recognized in the periods to which they relate, rather than in the period when the cash transaction occurs.

The Commission has recorded deferred outflows and deferred inflows related to its participation in the California Public Employees' Retirement System (CalPERS). Detailed components of these deferred amounts are provided in Note 7.

L. Pensions

The Commission participates in a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. For purposes of measuring the net pension liability, pension expense, and related deferred outflows and inflows of resources, the financial information of the plan is reported on the same basis as provided by CalPERS.

The fiduciary net position of the CalPERS plan is determined using the economic resources measurement focus and the accrual basis of accounting. This includes recognition of additions (e.g., contributions and investment income) and deductions (e.g., benefit payments and administrative expenses) when due. 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.

M. Net Position

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Commission reports net position as the residual of all other elements presented in the Statement of Net Position. Net position is classified into the following three components:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt used to acquire or construct those assets. If no related debt exists, this component reflects the net book value of the capital assets.

Restricted – represents amounts that are subject to externally imposed restrictions, such as those imposed by creditors, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

Unrestricted – includes all remaining net position not classified as either net investment in capital assets or restricted. This amount is available to be used for general operations of the Commission.

N. Right-to-Use Assets

The Commission records right-to-use assets and corresponding lease liabilities in accordance with the provisions of GASB Statement No. 87, *Leases*. A right-to-use asset represents the Commission's control of the right to use an underlying asset for the lease term. These assets are initially measured at the present value of lease payments expected to be made during the lease term, adjusted for any lease payments made at or before commencement, lease incentives received, and any ancillary charges

necessary to place the leased asset into service. Right-to-use assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities are reduced as payments are made, with interest expense recognized over the lease term. Additional information regarding the Commission's lease assets and liabilities is presented in Notes 4 and 5.

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

O. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104	"Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

Note 2 – Cash and Investments

On June 30, 2025, the Commission had the following cash and investments on hand:

Cash and investments with the County Treasurer	\$ 9,922,914
Cash in bank	<u>10,000</u>
Total cash and investments	<u>\$ 9,932,914</u>

Cash and investments are presented on the accompanying financial statements, as follows:

Cash and investments, statement of net position	<u>\$ 9,932,914</u>
Total cash and investments	<u>\$ 9,932,914</u>

Fair Value Measurements – The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Commission did not hold any investments subject to this hierarchy at June 30, 2025.

Cash in County Treasury – The Commission maintains a portion of its cash in the San Luis Obispo County Treasury, which operates as an external investment pool. The County pools the cash of participating governmental entities and invests the combined funds pursuant to the California Government Code and the County's investment policy. Pooled funds are reported at fair value, and investment income, including realized and unrealized gains and losses, is allocated to participants based on average daily balances and credited quarterly. Permitted investments include obligations of the U.S. Treasury and federal agencies, U.S. government-sponsored enterprises, obligations of California state and local agencies, bankers' acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term corporate notes, and other investments authorized under California Government Code §§53601 and 53635.

The County's investment pool is subject to oversight by the County Treasury Oversight Committee. The County's financial statements include disclosures of the pool's composition, risks, and fair value measurements in

accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; GASB Statement No. 40, *Deposit and Investment Risk Disclosures*; and GASB Statement No. 72, *Fair Value Measurement and Application*. Pooled investments are not required to be categorized by risk category.

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a financial institution failure, deposits may not be recovered. The California Government Code requires financial institutions to secure public deposits by pledging securities in an undivided collateral pool with a fair value of at least 110% of the total deposits (unless waived by the governmental unit). Institutions may also secure deposits by pledging first trust deed mortgage notes valued at 150% of the deposits. None of the Commission's deposits in excess of federal depository insurance limits were held in uncollateralized accounts. Investments in external pools, such as the County Treasury, are not subject to custodial credit risk because they are not evidenced by securities in physical or book-entry form.

Interest Rate Risk – The Commission does not have a formal investment policy that limits maturities as a means of managing exposure to fair value losses from changes in interest rates.

Credit Risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the two highest ratings issued by nationally recognized statistical rating organizations. The Commission has no investment policy that further restricts investment choices. The San Luis Obispo County Treasury pooled investment fund is unrated.

Concentration of Credit Risk – The Commission places no limit on the amount invested in any one issuer. At June 30, 2025, 100% of the Commission's investments were held in the San Luis Obispo County Treasury investment pool.

Note 3 – Due from Other Governments

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission as of June 30, 2025, were as follows:

Due from State Commission	
Prop 10 / CECET Revenue for	
May 2025	\$ 69,805
June 2025	76,503
CECET Q3	5,003
CECET Q4	3,545
First 5 IMPACT Legacy Grant	696,400
Surplus Money Investment Fund Allocations	9,316
First 5 Home Visiting Coordnation	35,019
Uplift Regionwide Child Care Coalition Grant	<u>13,927</u>
Total due from other governments	<u>\$ 909,518</u>

Children and Families Commission of San Luis Obispo County
Notes to Basic Financial Statements
June 30, 2025

Note 4 – Right-to-Use Asset

Right-to-use asset activity for the Commission for the year ended June 30, 2025, was as follows:

	Balance July 1	Additions	Reductions	Balance June 30
Right-to-use asset being amortized				
Admin office	\$ 148,308	\$ —	\$ —	\$ 148,308
Total right-to-use asset being amortized	148,308	—	—	148,308
Less accumulated amortization for				
Admin office	110,442	37,866	—	148,308
Total accumulated amortization	110,442	37,866	—	148,308
Total right-to-use asset, net	\$ 37,866	\$ (37,866)	\$ —	\$ —

Note 5 – Lease Payable

On June 26, 2020, the Commission agreed to terms on an amendment to the office space lease agreement to extend the lease to June 30, 2022, for a monthly payment of \$3,756. On May 4, 2022, the lease was extended for a period of three years, expiring on June 30, 2025. From July 1, 2022, the monthly payment will be \$3,112 and each July thereafter, will be increased by 3%. The lease liability is measured at a discount rate of 3%, which is the amount of a 3-year US Treasury bill.

The future minimum lease obligations and the net present value of these minimum lease payment as of June 30, 2025, was \$0.

Note 6 – Long-Term Liabilities

The following is a summary of long-term liability activity for the fiscal year ended June 30, 2025:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities					
Compensated absences	\$ 22,043	\$ 21,292	\$ 20,084	\$ 23,251	\$ 17,438
Lease payable	35,780	—	35,780	—	—
Net pension liability	150,285	—	13,325	136,960	—
	\$ 208,108	\$ 21,292	\$ 69,189	\$ 160,211	\$ 17,438

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

Note 7 – Contingences

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management’s opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on financial position or changes in financial position of the Commission.

Note 8 – Related Party Transactions

The legally required composition of the Children and Families Commission includes a County Supervisor, Directors of County agencies and representatives of agencies and constituencies concerned with children. Some of the programs funded by the Commission are operated by organizations represented by Commissioners. Commissioners must abstain from voting on issues and participating in discussions directly related to their respective organizations.

The following table shows expenditures with agencies represented by Commissioners for the fiscal year ended June 30, 2025:

<u>Related Party</u>	
San Luis Obispo County	<u>\$ 216,904</u>
	<u>\$ 216,904</u>

As of June 30, 2025, the entity reported no revenues collected for, or balances payable to, agencies represented by Commissioners.

Note 9 – Program Evaluation

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties. For the year ended June 30, 2025, the Commission expended \$37,872 for program evaluation.

Note 10 – Pension Plan

A. General Information about the Pension Plan

Plan descriptions – All qualified permanent and probationary employees are eligible to participate in the Commission’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Commission resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.000%	8.000%
Required employer contribution rates	14.08% + \$10,956	9.050%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Commission were \$51,718 for the fiscal year ended June 30, 2025.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2025, the Commission reported a liability of \$136,960 for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2025, the Commission's proportion was 0.00283%, which decreased by 0.00017% from June 30, 2024.

For the year ended June 30, 2025, the Commission recognized pension expense of \$60,840. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Children and Families Commission of San Luis Obispo County

Notes to Basic Financial Statements

June 30, 2025

At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 51,718	\$ —
Differences between expected and actual experience	11,841	462
Changes in assumptions	3,520	—
Net difference between projected and actual earnings on retirement plan investments	7,885	—
Adjustment due to differences in proportions	12,210	—
Difference in actual contributions and proportionate share of contributions	11,324	—
	<u>\$ 98,498</u>	<u>\$ 462</u>

\$51,718 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ending June 30,	Amount
2026	22,075
2027	24,808
2028	2,137
2029	(2,702)
	<u>\$ 46,318</u>

Children and Families Commission of San Luis Obispo County
Notes to Basic Financial Statements
June 30, 2025

Actuarial assumptions – The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Mortality rates were developed using CalPERS-specific data and include generational improvements based on 80% of Scale MP-2020 from the Society of Actuaries, consistent with the CalPERS 2021 Experience Study.

Discount rate – The discount rate used to measure the total pension liability was 6.90% as of the June 30, 2024 measurement date. To determine whether use of a municipal bond rate is necessary, CalPERS performed stress testing of plans within the Public Employees' Retirement Fund (PERF C). The testing concluded that assets in the tested plans were projected to be sufficient to pay all benefits, and therefore application of the municipal bond rate was not required. The discount rate of 6.90% was applied to all plans within PERF C.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of investment expenses and inflation) are developed for each major asset class. These estimates are combined to produce the long-term expected rate of return on plan investments. In developing these projections, CalPERS considered both long-term market return expectations and expected pension fund cash flows. Projected returns for each asset class are combined with risk estimates to produce a distribution of long-term expected geometric real rates of return.

Children and Families Commission of San Luis Obispo County
Notes to Basic Financial Statements
June 30, 2025

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (a)(b)
Global Equity - cap-weighted	30.0%	4.54%
Global Equity -non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.30% was used for this period

(b) Figures are based on 2021 Asset Liability Management Study

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following represents the Commission's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90 percent) or 1-percentage point higher (7.90 percent) than the current rate:

	Discount Rate -1% 5.90%	Current Discount 6.90%	Discount Rate +1% 7.90%
Commission's proportionate share of the net pension plan liability	\$ 298,764	\$ 136,960	\$ 3,771

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2025, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2025.

Note 11 – Subsequent Events

The Commission executed a third lease amendment, granting three additional three-year renewal options beginning July 1, 2025. In accordance with GASB Statement No. 87, *Leases*, the lease liability and the related right-to-use lease asset were remeasured as of the amendment's effective date of July 1, 2025, to reflect the revised lease term and updated payment provisions. The Commission anticipates exercising each of the available renewal options, extending the lease term through June 30, 2034. Under the amended agreement, monthly rent

increases by 3% annually. The lease liability was remeasured using a risk-free discount rate of 4.29%, based on a nine-year U.S. Treasury maturity, consistent with the expected lease term.

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Required Supplementary Information

DRAFT

Children and Families Commission of San Luis Obispo County
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Proposition 10 & 56 apportionment	\$ 1,320,726	\$ 1,320,726	\$ 1,313,012	\$ (7,714)
IMPACT (Legacy)	1,478,097	1,478,097	1,539,127	61,030
Uplift	–	30,000	13,926	(16,074)
MediCal Administrative Activities (MAA)	35,000	35,000	44,506	9,506
Other revenue	91,250	91,250	63,679	(27,571)
Investment income	250,584	250,584	491,473	240,889
	<u>3,175,657</u>	<u>3,205,657</u>	<u>3,465,723</u>	<u>260,066</u>
EXPENDITURES				
Administrative expenses	274,527	274,527	259,168	15,359
Program related administrative expenses	393,632	402,638	303,541	99,097
Program expenditures	3,096,345	3,117,345	2,510,196	607,149
Debt service				
Principal on lease	38,984	38,984	38,984	–
Interest on lease	683	683	683	–
	<u>3,804,171</u>	<u>3,834,177</u>	<u>3,112,572</u>	<u>721,605</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>(628,514)</u>	<u>(628,520)</u>	<u>353,151</u>	<u>981,671</u>
NET CHANGE IN FUND BALANCE	(628,514)	(628,520)	353,151	981,671
FUND BALANCE - beginning of year	<u>9,237,871</u>	<u>9,237,871</u>	<u>9,237,871</u>	<u>–</u>
FUND BALANCE - end of year	<u>\$ 8,609,357</u>	<u>\$ 8,609,351</u>	<u>\$ 9,591,022</u>	<u>\$ 981,671</u>

Children and Families Commission of San Luis Obispo County
Schedule of Proportionate Share of Net Pension Liability
As of June 30, 2025

The following table provides required supplementary information regarding the Commission's Pension Plan.

	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.00113%	0.00120%	0.00111%	0.00028%	0.00093%
Proportionate share of the net pension liability	\$ 136,960	\$ 150,285	\$ 127,925	\$ 15,391	\$ 101,634
Covered payroll	\$ 342,537	\$ 327,059	\$ 293,707	\$ 281,991	\$ 280,462
Proportionate share of the net pension liability as percentage of covered payroll	40.0%	46.0%	43.6%	5.5%	36.2%
Plan's total pension liability	\$ 55,320,956,562	\$ 52,441,984,274	\$ 49,525,975,138	\$ 46,174,942,264	\$ 43,702,930,887
Plan's fiduciary net position	\$ 43,193,516,089	\$ 39,966,633,692	\$ 37,975,170,163	\$ 40,766,653,876	\$ 32,822,501,335
Plan fiduciary net position as a percentage of the total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.00082%	0.00074%	0.00072%	0.00062%	0.00038%
Proportionate share of the net pension liability	\$ 84,006	\$ 70,861	\$ 71,810	\$ 53,446	\$ 26,233
Covered payroll	\$ 265,397	\$ 257,770	\$ 255,488	\$ 216,845	\$ 208,398
Proportionate share of the net pension liability as percentage of covered payroll	31.7%	27.5%	28.1%	24.6%	12.6%
Plan's total pension liability	\$ 41,426,453,489	\$ 38,944,855,364	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402
Plan's fiduciary net position	\$ 31,179,414,067	\$ 29,308,589,559	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%

There were no changes in assumptions for the fiscal year ended June 30, 2025

Children and Families Commission of San Luis Obispo County
Schedule of Pension Contributions – Last 10 Years
As of June 30, 2025

The following table provides required supplementary information regarding the Commission's Pension Plan.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 51,718	\$ 44,350	\$ 50,234	\$ 44,888	\$ 41,674
Contributions in relation to the contractually required contribution	<u>51,718</u>	<u>44,350</u>	<u>50,234</u>	<u>44,888</u>	<u>41,674</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 327,059	\$ 301,140	\$ 327,059	\$ 293,307	\$ 281,991
Contributions as a percentage of covered payroll	15.81%	14.73%	15.36%	15.30%	14.78%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 30,256	\$ 26,907	\$ 22,998	\$ 20,357	\$ 18,322
Contributions in relation to the contractually required contribution	<u>30,256</u>	<u>26,907</u>	<u>22,998</u>	<u>20,357</u>	<u>18,322</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 280,462	\$ 265,397	\$ 257,770	\$ 255,488	\$ 216,845
Contributions as a percentage of covered payroll	10.79%	10.14%	8.92%	7.97%	8.45%

There were no changes to assumptions for the fiscal year ended June 30, 2025

Compliance Section

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Children and Families Commission of San Luis Obispo County
San Luis Obispo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Children and Families Commission of San Luis Obispo County (the Commission), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission'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 statement. 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.

Moss, Levy & Hartzhein LLP

Santa María, California
October 23, 2025

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Commissioners
Children and Families Commission of San Luis Obispo County
San Luis Obispo, California

Report on State Compliance

Opinions

We have audited the Children and Families Commission of San Luis Obispo County's (the Commission) compliance with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the fiscal year ended June 30, 2025.

In our opinion, the Children and Families Commission of San Luis Obispo County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the fiscal year ended June 30, 2025.

Basis for Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our 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 opinion. Our audit does not provide a legal determination of the Commission'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 California Child and Families Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission'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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* 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 controls. 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 judgement made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, 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 Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission'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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Children and Families Commission of San Luis Obispo County's internal control. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

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 identify during the audit.

Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance. Our consideration of internal control over compliance was the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these

limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Accordingly, this report is not suitable for any other purpose.

Moss, Levy & Hartzhein LLP

Santa María, California
October 23, 2025

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Findings and Recommendations Section

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Section – Financial Statement Findings

There were no current year audit findings and questioned costs.

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Section – Financial Statement Findings

There were no prior year audit findings and questioned costs.

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