

CALIFORNIA STATE ASSOCIATION OF COUNTIES
SPECIAL EXECUTIVE COMMITTEE MEETING
Tuesday, December 2, 2025 | 4:30pm – 5:30pm

San Jose McEnery Convention Center – MR 112 | 150 W. San Carlos St., San Jose

AGENDA

Presiding: Supervisor Jeff Griffiths, President

TUESDAY, DECEMBER 2

4:30 PM **PROCEDURAL ITEMS**

1. Roll Call

ACTION ITEMS

2. Approval of 2025-2026 Board of Directors Nominations
 - *Graham Knaus | Chief Executive Officer*
3. Consideration of 2024-2025 Audited Financial Statements
 - *Supervisor Belia Ramos | Treasurer*
 - *Chastity Benson | Chief Operating Officer*
4. Approve and adopt SBCERA Resolution Reconfirming and Restating Inclusion of CSAC Employees within the Coverage of Article 15.6 of County Employees' Retirement Law.
 - *Graham Knaus | Chief Executive Officer*
 - *Chastity Benson | Chief Operating Officer*

PUBLIC COMMENT

5:30 PM **ADJOURN**

*If requested, this agenda will be made available in appropriate alternative formats to persons with a disability.
Please contact Korina Jones kjones@counties.org or (916) 327-7500 if you require modification or accommodation
in order to participate in the meeting.*



CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
2025

OFFICERS

President

Jeff Griffiths
Inyo County

1st Vice President

Susan Ellenberg
Santa Clara County

2nd Vice President

Luis Alejo
Monterey County

Past President

Bruce Gibson
San Luis Obispo County



CEO

Graham Knaus

PRESIDENT:

1ST VICE PRESIDENT:

2ND VICE PRESIDENT:

IMMEDIATE PAST PRESIDENT:

Jeff Griffiths, Inyo County

Susan Ellenberg, Santa Clara County

Luis Alejo, Monterey County

Bruce Gibson, San Luis Obispo County

URBAN CAUCUS

Kathryn Barger, Los Angeles County

Rich Desmond, Sacramento County

John Gioia, Contra Costa County

Kelly Long, Ventura County

V. Manuel Perez, Riverside County

Buddy Mendes, Fresno County

Noelia Corzo, San Mateo County (Alternate)

SUBURBAN CAUCUS

Bonnie Gore, Placer County

Manu Koenig, Santa Cruz County

Scott Silveira, Merced County

Lucas Frerichs, Yolo County (Alternate)

RURAL CAUCUS

Kent Boes, Colusa County

Ned Coe, Modoc County

Ryan Campbell, Tuolumne County (Alternate)

EX OFFICIO MEMBER

Belia Ramos, Napa County, Treasurer

ADVISORS

Jason Britt, Tulare County CAO & CACE President

Brian E. Washington, Marin County Counsel, County Counsels' Association Past President

**Alternates are highlighted for your reference*



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CEO

Graham Knaus

December 2, 2025

TO: CSAC Executive Committee

FROM: Graham Knaus, Chief Executive Officer

SUBJECT: Approval of Nominations for the CSAC 2025 – 2026 Board of Directors

Background: The CSAC Constitution indicates that each county board shall nominate one or more directors to serve on the CSAC Board of Directors for a one-year term commencing with the Annual Meeting. The CSAC Executive Committee appoints one director for each member county from the nominations received.

For counties that do not submit nominations, the appointed supervisor from the preceding year will continue to serve until such county board nominates, and the Executive Committee appoints, a supervisor to serve on the CSAC Board.

The highlighted names denote responses received for 2025-2026.

2025 - 2026 CSAC BOARD OF DIRECTORS + ALTERNATES				
COUNTY	CAUCUS	DIRECTOR	ALTERNATE(S)	CHANGE FROM 2024 - 2025
Alameda	U	David Haubert		None
Alpine	R	Terry Woodrow	Evan Mecak	None
Amador	R	Jeff Brown	Dan Epperson	
Butte	S	Tod Kimmelshue	Doug Teeter	NEW ALTERNATE
Calaveras	R	Benjamin Stopper	Martin Huberty & Autumn Andahl	ADDED 2 nd ALTERNATE
Colusa	R	Kent Boes	Janice A. Bell	None
Contra Costa	U	John Gioia	Diane Burgis	None
Del Norte	R	Chris Howard	Darrin Short	None
El Dorado	R	Greg Ferrero	Brooke Laine	
Fresno	U	Buddy Mendes	Nathan Magsig	None
Glenn	R	Grant Carmon	Monica Rossman	None
Humboldt	R	Natalie Arroyo	Mike Wilson	NEW BOD MEMBER & ALT
Imperial	S	Jesus Eduardo Escobar	Martha Cardenas-Singh	
Inyo	R	Trina Orrill	Jeff Griffiths	None
Kern	S	Leticia Perez	Phillip Peters	
Kings	R	Rusty Robinson	Doug Verboon	
Lake	R	Bruno Sabatier	Jessica Pyska	None
Lassen	R	Gary Bridges	Tom Neely	None
Los Angeles	U	Kathryn Barger	Holly J. Mitchell	
Madera	R	Jordan Wamhoff	Robert Macaulay	

Marin	S	Mary Sackett	Brian Colbert	None
Mariposa	R	Rosemarie Smallcombe	Miles Menetrey	
Mendocino	R	John Haschak	Bernie Norvell	NEW BOARD MEMBER
Merced	S	Scott Silveira	Josh Pedrozo	None
Modoc	R	Ned Coe	Shane Starr	None
Mono	R	John Peters	Jennifer Kreitz	None
Monterey	S	Luis Alejo	Wendy Root Askew	None
Napa	S	Anne Cottrell	Liz Alessio	
Nevada	R	Hardy Bullock	Heidi Hall	NEW BOD MEMBER & ALT
Orange	U	Doug Chaffee	Vicente Sarmiento	
Placer	S	Bonnie Gore		None
Plumas	R	Tom McGowan	Jeff Engel	
Riverside	U	V. Manuel Perez	Karen Spiegel	None
Sacramento	U	Rich Desmond	Patrick Hume	None
San Benito	R	Angele Curro	Kollin Kosmicki	None
San Bernardino	U	Jesse Armendarez	Curt Hagman	None
San Diego	U	Monica Montgomery Steppe	Terra Lawson-Remer	NEW ALTERNATE
San Francisco	U	Rafael Mandelman		
San Joaquin	U	Robert Rickman	Steven Ding	
San Luis Obispo	S	Bruce Gibson	Jimmy Paulding	
San Mateo	U	Noelia Corzo	Lisa Gauthier	ADDED ALTERNATE
Santa Barbara	S	Bob Nelson	Laura Capps	None
Santa Clara	U	Susan Ellenberg	Otto Lee	None
Santa Cruz	S	Justin Cummings	Felipe Hernandez	NEW BOARD MEMBER
Shasta	R	Kevin Crye	Matt Plummer	
Sierra	R	Lee Adams	Sharon Dyrden	
Siskiyou	R	Ed Valenzuela		
Solano	S	Wanda Williams	Cassandra James	
Sonoma	S	James Gore	Rebecca Hermosillo	None
Stanislaus	S	Mani Grewal	Vito Chiesa	None
Sutter	R	Mike Ziegenmeyer	Karm Bains	NEW BOARD MEMBER & ALT
Tehama	R	Tom Walker	Matt Hansen	NEW BOARD MEMBER & ALT
Trinity	R	Ric Leutwyler	Heidi Carpenter-Harris	
Tulare	S	Amy Shuklian	Pete Vander Poel	None
Tuolumne	R	Ryan Campbell	Jaron Brandon	None
Ventura	U	Kelly Long	Jeff Gorell	None
Yolo	S	Lucas Frerichs	Oscar Villegas	None
Yuba	R	Jon Messick	Gary Bradford	None



Officers

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San Luis Obispo County

CEO

Graham Knaus

December 2, 2025

TO: CSAC Executive Committee

FROM: Supervisor Belia Ramos, CSAC Treasurer
Graham Knaus, Chief Executive Officer
Chastity Benson, Chief Operating Officer

RE: **FY 2024-25 CSAC Audited Financial Statements**

This memorandum is to recommend acceptance of the California State Association of Counties Audit Committee approval of the FY 2024-25 Audited Financial Statements.

Consistent with existing CSAC policies, and in accordance with generally accepted auditing standards and accounting principles, CSAC retained the services of Baker Tilly US LLC to ensure a trustworthy review of the organization's financial statements for FY 2024-25. The consolidated audit review includes the CSAC Finance Corporation financials due to controlling interests in the organization as well as the California Counties Foundation financials, which is CSAC's 501(c)(3) non-profit organization.

In consultation with the CSAC Treasurer, staff worked closely and collaborated with the Baker Tilly US LLP audit team to complete the timely review of the financial statements for the fiscal year ending on June 30, 2025. According to Baker Tilly US LLP, the consolidated financial statements present, in all material respects, the financial position of the Association with no findings or material weakness. The auditors review further notes that the organization possesses a sound financial position with strong internal controls.

Baker Tilly US LLP presented the audit review and its "Unmodified Opinion," on November 14, 2025, to the Audit Committee which approved the FY 2024-25 Financial Statements on November 19, 2025. A copy of the complete audited financial statements is attached for your reference.

The timely and successful completion of the audit review is attributable to recent Board-approved policy changes and system improvements implemented over the past couple of years, and the support of the CSAC Treasurer. Additionally, it is important to note that the CSAC Accounting staff was instrumental in coordinating and providing the necessary information to produce a successful audit review.

Recommendation: Accept the Audit Committee Approval of the CSAC FY 2024-25 Audited Financial Statements.



Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

California State Association of Counties and Affiliates

June 30, 2025 and 2024



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Report of Independent Auditors

The Board of Directors
California State Association of Counties and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of California State Association of Counties (CSAC) and Affiliates (collectively, the Association), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of California State Association of Counties and Affiliates as of June 30, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 California State Association of Counties and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 California State Association of Counties and Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of CSAC Finance Corporation (FC), a controlled affiliate, which financial statements reflect total assets of \$22,897,338 and \$23,058,366 as of June 30, 2025 and 2024, respectively, and total revenues of \$9,239,739 and \$9,497,288, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for FC, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 California State Association of Counties and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California State Association of Counties and Affiliates' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities and changes in net assets on pages 25 and 26, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, insofar as it relates to CSAC Finance Corporation, is based on the report of other auditors, and is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Rancho Cordova, California
November 20, 2025

Consolidated Financial Statements

California State Association of Counties and Affiliates
Consolidated Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,711,669	\$ 8,791,420
Investments	26,166,178	23,651,525
Accounts receivable	2,525,113	3,999,937
Finance Corporation (FC) other receivable	157,852	112,582
Prepaid expenses and other assets	510,682	683,072
Funds held in custodial accounts	72,312	443,414
FC notes receivable, current portion	50,000	50,000
FC prepaid federal income tax	185,549	17,678
	<u>36,379,355</u>	<u>37,749,628</u>
Totals	36,379,355	37,749,628
NONCURRENT ASSETS		
Property and equipment, net	1,120,970	849,662
Intangible assets, net	188,380	22,875
FC notes receivable, net of current portion	2,451,232	1,951,232
	<u>3,760,582</u>	<u>2,823,769</u>
Totals	3,760,582	2,823,769
Total assets	\$ 40,139,937	\$ 40,573,397
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,440,027	\$ 1,394,681
Accrued vacation and vested sick leave	860,633	770,632
Funds held in custodial accounts	72,312	443,414
Deferred revenue, current portion	233,345	352,948
	<u>2,606,317</u>	<u>2,961,675</u>
Totals	2,606,317	2,961,675
NONCURRENT LIABILITIES		
Deferred revenue, net of current portion	580,817	383,665
	<u>580,817</u>	<u>383,665</u>
Totals	580,817	383,665
Total liabilities	3,187,134	3,345,340
NET ASSETS		
Without donor restrictions - board designated	14,186,227	11,765,100
Without donor restrictions - undesignated	22,766,576	25,462,957
	<u>36,952,803</u>	<u>37,228,057</u>
Totals	36,952,803	37,228,057
Total liabilities and net assets	\$ 40,139,937	\$ 40,573,397

See accompanying notes.

California State Association of Counties and Affiliates
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2025 and 2024

	2025	2024
REVENUES WITHOUT DONOR RESTRICTIONS		
Revenues		
Membership dues	\$ 3,748,607	\$ 3,639,424
Litigation dues	447,499	447,499
Program revenue	182,839	296,213
Meetings	679,335	610,161
Management fees	753,702	741,007
Foundation grants	150,000	254,500
Foundation CSAC grants initiative program revenue	485,417	549,768
Rental loss, net of expenses of \$228,516 and \$238,741	(36,890)	(41,523)
Interest and investment gain, net	1,308,942	1,408,584
FC financing programs	5,220,739	4,655,800
FC cooperative purchasing	379,140	340,049
FC corporate associates	1,488,327	1,484,633
FC deferred compensation and insurance royalties	860,831	900,799
FC CalTrust income	445,982	342,927
Foundation registration fees	887,683	684,216
Other revenue	168,487	1,164,906
Total revenues	<u>17,170,640</u>	<u>17,478,963</u>
Expenses		
Program services		
Advocacy Program	8,429,220	7,744,451
County Support Program	776,572	685,509
FC financing programs	397,909	372,240
FC cooperative purchasing	1,089,075	1,038,189
FC deferred compensation	846,295	620,400
FC CalTrust programs	-	124,080
FC Corporate Associates Program	844,219	915,529
Foundation Institute	1,059,921	948,926
Foundation Hub	736,741	810,910
Total program services	<u>14,179,952</u>	<u>13,260,234</u>
Supporting services		
General and administrative	2,788,494	3,575,934
FC general and administrative	417,618	389,390
Foundation general and administrative	59,830	95,260
Total supporting services	<u>3,265,942</u>	<u>4,060,584</u>
Total expenses	<u>17,445,894</u>	<u>17,320,818</u>
CHANGES IN NET ASSETS	(275,254)	158,145
NET ASSETS, beginning of year	<u>37,228,057</u>	<u>37,069,912</u>
NET ASSETS, end of year	<u>\$ 36,952,803</u>	<u>\$ 37,228,057</u>

See accompanying notes.

California State Association of Counties and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services					Supporting Services				Total
	Advocacy Program	County Support Program	FC Programs	Foundation Programs	Total Program Services	General and Administrative	FC General and Administrative	Foundation General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 5,479,635	\$ 659,224	\$ 2,151,350	\$ 775,091	\$ 9,065,300	\$ 1,130,574	\$ 308,297	\$ 13,694	\$ 1,452,565	\$ 10,517,865
Travel	493,698	1,778	207,519	40,159	743,154	65,384	33,684	16,711	115,779	858,933
Communications	315,550	7,928	419,159	7,608	750,245	56,681	10,257	-	66,938	817,183
Office expense	41,312	25,885	31,046	14,394	112,637	166,630	4,214	497	171,341	283,978
Technology and software	46,957	405	-	14,429	61,791	52,076	-	-	52,076	113,867
Professional fees	415,159	1,485	96,793	525,461	1,038,898	444,924	31,853	28,928	505,705	1,544,603
Depreciation	-	-	-	-	-	297,090	-	-	297,090	297,090
Contributions	2,010	-	-	-	2,010	186,699	-	-	186,699	188,709
Equipment	46	79,743	-	76	79,865	16,401	-	-	16,401	96,266
County advocacy and members engagement expense	1,631,735	-	-	-	1,631,735	-	-	-	-	1,631,735
Other program expense	-	124	184,665	-	184,789	125,225	22,438	-	147,663	332,452
Instructional expenses	-	-	-	416,901	416,901	-	-	-	-	416,901
Other expense	3,118	-	86,966	2,543	92,627	246,810	6,875	-	253,685	346,312
Total	\$ 8,429,220	\$ 776,572	\$ 3,177,498	\$ 1,796,662	\$ 14,179,952	\$ 2,788,494	\$ 417,618	\$ 59,830	\$ 3,265,942	\$ 17,445,894

See accompanying notes.

California State Association of Counties and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services					Supporting Services				Total
	Advocacy Program	County Support Program	FC Programs	Foundation Programs	Total Program Services	General and Administrative	FC General and Administrative	Foundation General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 5,150,790	\$ 587,157	\$ 1,754,633	\$ 603,596	\$ 8,096,176	\$ 1,516,758	\$ 244,156	\$ 22,798	\$ 1,783,712	\$ 9,879,888
Travel	544,162	2,596	141,562	24,322	712,642	62,370	21,575	6,774	90,719	803,361
Communications	451,804	7,845	597,265	10,980	1,067,894	65,091	22,779	-	87,870	1,155,764
Office expense	38,106	28,613	32,536	22,063	121,318	80,144	4,637	1,822	86,603	207,921
Technology and software	44,652	984	-	15,508	61,144	21,812	-	-	21,812	82,956
Professional fees	462,360	-	69,874	665,570	1,197,804	321,882	21,443	59,121	402,446	1,600,250
Depreciation	-	-	-	-	-	7,717	-	-	7,717	7,717
Contributions	3,800	-	-	-	3,800	120,772	-	-	120,772	124,572
Equipment	12,939	57,832	-	11,424	82,195	17,933	-	-	17,933	100,128
Occupancy	-	-	-	25,487	25,487	-	-	-	-	25,487
County advocacy and members engagement expense	1,729,786	-	-	-	1,729,786	-	-	-	-	1,729,786
Other program expense	-	380	431,264	-	431,644	171,174	67,158	-	238,332	669,976
Instructional expenses	-	-	-	374,422	374,422	-	-	3,640	3,640	378,062
Other expense	3,382	102	43,304	6,464	53,252	271,683	7,642	1,105	280,430	333,682
Building improvements	-	-	-	-	-	221,268	-	-	221,268	221,268
Total	\$ 8,441,781	\$ 685,509	\$ 3,070,438	\$ 1,759,836	\$ 13,957,564	\$ 2,878,604	\$ 389,390	\$ 95,260	\$ 3,363,254	\$ 17,320,818

See accompanying notes.

California State Association of Counties and Affiliates
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (275,254)	\$ 158,145
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	329,061	47,864
Net unrealized (gain) loss on investments	(27,412)	733
Changes in operating assets and liabilities		
Accounts receivable	1,474,824	330,677
FC other receivable	(45,270)	(33,544)
FC notes receivable	(500,000)	(1,000,000)
Prepaid expenses and other assets	172,390	(239,823)
FC prepaid federal income tax	(167,871)	10,256
Accounts payable and accrued expenses	45,346	799,144
Accrued vacation and vested sick leave	90,001	191,105
Deferred revenue	77,549	(72,313)
Estimated pension obligation	-	(355,114)
Net cash provided by (used in) operating activities	<u>1,173,364</u>	<u>(162,870)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(586,184)	(67,290)
Purchase of investments	(2,858,343)	(633,246)
Purchase of intangible assets	<u>(179,690)</u>	<u>(22,875)</u>
Net cash used in investing activities	<u>(3,624,217)</u>	<u>(723,411)</u>
CHANGES IN CASH AND FUNDS HELD IN CUSTODIAL ACCOUNTS	(2,450,853)	(886,281)
CASH AND FUNDS HELD IN CUSTODIAL ACCOUNTS, beginning of year	<u>9,234,834</u>	<u>10,121,115</u>
CASH AND FUNDS HELD IN CUSTODIAL ACCOUNTS, end of year	<u><u>\$ 6,783,981</u></u>	<u><u>\$ 9,234,834</u></u>

See accompanying notes.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Organization – The California State Association of Counties (CSAC) is an association representing the elected county supervisors of the 58 California counties. The purpose of the association is to advance the vital public interest in effective, efficient, and responsive local government. Its principal function is representation of county government before the California legislature, administrative agencies, and the federal government.

CSAC formed the CSAC Finance Corporation (FC) as a California corporation in 1986 to provide a broad array of finance, investment, insurance, and public services to benefit California counties and related public agencies. Since its inception, the CSAC Finance Corporation has grown to be the premier provider of a variety of cost-saving programs and services to counties and other local governments throughout California.

In 1987, FC and the League of California Cities created a Joint Powers Authority of counties and cities, called the California Statewide Communities Development Authority (CSCDA). This authority provides a broad range of financial products and services that promote the economic well-being of counties and cities. By combining the volumes of counties and cities, CSCDA is able to negotiate lower costs of issuance on its bond issues.

FC works closely with the National Association of Counties (NACo) and engages in partnership programs to advocate for counties on a national level. Today, FC provides a number of programs including an investment pool, deferred compensation program, discount prescription cards, cyber security, property tax payment platform, debt offset, cannabis data management, and many more.

For a description of all the programs FC offers, go to <http://csacfc.org/programs/>.

FC's bylaws grant CSAC the authority to appoint all new members of its Board of Directors, and as a result, CSAC has obtained control of FC through a majority of the voting interest in the Board.

The California Counties Foundation (the Foundation) is a nonprofit public benefit corporation. The purpose for which the Foundation is formed is to educate citizens and conduct research in areas of interest and benefit to California counties. The Foundation undertakes special projects from time to time that are in accordance with its exempt purpose and often subcontracts with other organizations to complete the projects. The Foundation operates the CSAC William "Bill" Chiat Institute for Excellence in County Government (the Institute), which is not a separate legal entity. The Institute offers professional education and credential opportunities mainly to county supervisors and senior executives who have few accessible opportunities for professional continuing education.

The Foundation's bylaws grant CSAC the authority to appoint a majority of the Board members, and as a result, CSAC obtained control of the Foundation through a majority of the voting interest in the Board.

The California Counties Capitol Building and Museum (CCCBM) is a nonprofit corporation that has been formally established and granted federal tax exemption under Section 501(c)(3) of the Federal Internal Revenue Code. CCCBM was formed to operate and maintain a facility and museum dedicated to county government in California, and to carry on other charitable activities associated with this purpose as allowed by law.

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Notes to Consolidated Financial Statements

CCCBM's bylaws grant CSAC the authority to appoint a majority of the Board members, and as a result, CSAC obtained control of CCCBM through a majority of voting interest in the Board during the year ended June 30, 2025. CCCBM had no assets, liabilities, or net assets at June 30, 2025.

Basis of consolidation and presentation – The consolidated financial statements include the accounts of CSAC and its controlled affiliates, FC, the Foundation, and CCCBM, collectively referred to as the Association. Intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of consolidated assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of consolidated revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications – Certain amounts reported in the June 30, 2024 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Organization's previously reported net assets, change in net assets, or cash flows. The reclassifications were made to improve comparability and consistency of the financial statements across periods.

Cash – Cash consists of demand deposits without donor restrictions. The following table provides a reconciliation of cash and funds held in custodial accounts as reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	2025	2024
Cash	\$ 6,711,669	\$ 8,791,420
Funds held in custodial accounts	72,312	443,414
Total cash and funds held in custodial accounts	<u>\$ 6,783,981</u>	<u>\$ 9,234,834</u>

Investments – Investments consist of shares in the CalTrust short-term and medium-term portfolios and are stated at fair value as reported by CalTrust based on net asset value (NAV) per share. Funds held in custodial accounts are also held in the CalTrust portfolios.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Interest and investment gain, net consisted of the following activity for the years ended June 30:

	2025	2024
CSAC interest and dividends	\$ 455,033	\$ 529,648
CSAC unrealized gain, net	48,899	26,120
FC interest and dividends	805,142	854,874
FC unrealized loss, net	(31,298)	(30,616)
Foundation interest and dividends	21,355	24,795
Foundation unrealized gain, net	9,811	3,763
	<u>\$ 1,308,942</u>	<u>\$ 1,408,584</u>
Total interest and investment gain, net	<u>\$ 1,308,942</u>	<u>\$ 1,408,584</u>

Fair value measurements – In accordance with U.S. GAAP, fair value guidance establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of asset or liability and the characteristics specific thereto. Items such as listed securities investments, for which fair value can be measured from actively quoted market prices, will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following levels:

Level 1 – Quoted prices are available in active markets for identical items as of the reporting date and are observable.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the item. The inputs into the determination of fair value require significant management judgment or estimation.

Investments measured using the NAV per share (or its equivalent) practical expedient are not classified in the fair value hierarchy. NAV is the net value of the investment fund's assets less its liabilities, divided by the number of shares outstanding. There were no unobservable inputs internally developed by the Association.

Accounts receivable – Accounts receivable are stated at the amount of consideration from members and customers of which the Association has an unconditional right to receive. Management provides for uncollectible amounts through a provision for credit losses and an adjustment to a valuation allowance based on its assessment of various factors, including the nature of the receivable, historical collection experience, and current economic conditions. Management believes the risk of credit loss is minimal. As a result, no allowance for credit losses has been established for the years ended June 30, 2025 and 2024. As of July 1, 2023, the Association's accounts receivable totaled \$4,330,614. There is no interest charged on past due accounts receivable.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Property and equipment – Property and equipment purchases in excess of \$10,000 and computer equipment in excess of \$10,000 are capitalized at cost, or, if donated, at the estimated fair market value at the time of donation. Depreciation is provided on a straight-line basis over the estimated useful lives, which range from 3 to 40 years. Contributions that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Association reports expirations of donor restrictions when the acquired assets are placed in service and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

During the year ended June 30, 2025, the Association has accelerated the depreciation expense related to building and building improvements in anticipation of a significant renovation project scheduled to commence during the year ending June 30, 2026. The accelerated depreciation reflects the expected reduction in the building's and building improvements' useful lives due to the planned renovations.

This accelerated depreciation expense does not affect the carrying value of the assets beyond the revised accumulated depreciation and is intended to more accurately reflect the asset's future economic benefits.

The renovation project is expected to enhance the building's functionality and extend its useful life. Capital expenditures related to the remodeling will be capitalized and depreciated over their estimated useful lives once the project is completed. The CSAC Board approved a budget for the building renovation project of approximately \$37,900,000.

Intangible assets – The Association capitalizes certain implementation costs incurred in connection with cloud computing arrangements classified as service contracts in accordance with Accounting Standards Codification (ASC) 350-40, Intangibles – Goodwill and Other-Internal-Use Software. Under this guidance, implementation costs that are directly related to the application development stage of the arrangement are capitalized as intangible assets. These costs typically include expenses for configuration, customization, coding, installation, and design of the software environment necessary to implement the cloud service.

Costs incurred during the preliminary project stage (such as evaluation and selection of vendors) and post-implementation stage (such as training and maintenance) are expensed as incurred. Capitalized implementation costs are amortized over the term of the cloud computing arrangement, generally on a straight-line basis. The Association applies judgment in determining which costs meet the capitalization criteria and regularly reviews the carrying amount of capitalized implementation costs for impairment or changes in the arrangement term. The Association is the customer for one such cloud computing arrangement, which was put into service in January 2025 and has a 3-year useful life. Intangible assets for this arrangement are \$42,000, net of accumulated amortization of \$5,945 at June 30, 2025. Amortization expense was \$5,945 during the year ended June 30, 2025.

CSAC redesigned and streamlined its website to make it easier and faster for users to access the news, resources, and information. The new website was launched in April 2025 and has a 3-year useful life. Intangible assets related to the design and development of the website are \$128,894 and accumulated amortization is \$8,240 at June 30, 2025. Amortization was \$8,240 during the year ended June 30, 2025.

Deferred revenue – Dues collected by CSAC in advance of the membership period are recorded as deferred revenues. There were no contract liabilities related to membership dues at June 30, 2025 and 2024. Dues are recognized on a straight-line basis over the term of the membership period.

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Notes to Consolidated Financial Statements

Service fee revenue received by FC in advance of the applicable service period are recorded as deferred revenues and recognized during the period in which services are delivered to program members.

The Foundation is the recipient of cost-reimbursement grant funds. These grants include a right of return to the grantor for assets transferred or a right of release of the grantor from its obligation to transfer assets. The grant funds are received in advance and revenue is recognized when the specified conditions described in the grant agreements are met.

The Foundation provides grant writing services through its CSAC Grants Initiative (CGI) program, for which payments received in advance of contract completion are deferred and represent contract liabilities of \$81,294 and \$66,666 at June 30, 2025 and 2024, respectively. They are recognized as the associated expenses are incurred.

The Foundation also receives registration fees related to educational classes to be provided during the subsequent fiscal year. Amounts collected in advance of incurring specified costs or providing educational classes are recorded as deferred revenue representing contract liabilities of \$136,816 and \$159,282 at June 30, 2025 and 2024, respectively. They are recognized after classes are provided.

Deferred revenue from registration fees related to educational classes to be provided in the future were:

	2025	2024
Registration fees related to educational classes, beginning of year	\$ 159,282	\$ 17,324
Revenue from educational classes provided	(887,683)	(684,216)
Registration fees for educational classes to be provided	<u>865,217</u>	<u>826,174</u>
Registration fees related to educational classes, end of year	<u><u>\$ 136,816</u></u>	<u><u>\$ 159,282</u></u>

Funds held in custodial accounts – CSAC performs accounting services for the California Association of County Executives (CACE), California Works Information Network (CalWIN), California Statewide Automated Welfare System (CalSAWS), County Engineers Association of California (CEAC), and the National Association of Counties (NACo). Investments owned by these organizations, which are included in CSAC's investment account, are recorded as offsetting assets and liabilities.

The Foundation performs accounting services for San Joaquin Valley Regional Association of California Counties. Funds owned by this organization, which are held in a separate bank account, are recorded as offsetting assets and liabilities.

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Notes to Consolidated Financial Statements

Net assets – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions – Represent resources available to support the Association's operations, and resources with no use or time restrictions that have become available for use by the Association, in accordance with the intention of the donor. A portion of these net assets may be designated by the Board of Directors for specific purposes. The Association's Board of Directors has directed that the Association create and maintain an operating reserve with an amount of at least six months' operating budgeted expenses, not including litigation expenses. The operating reserve is included within net assets without donor restrictions on the consolidated financials as of June 30, 2025 and 2024.

Net assets with donor restrictions – Represent those resources the use of which has been restricted by donors to specific use or the passage of time. The release of net assets from restrictions results from the satisfaction of the restricted purposes specified by the donors, or the passage of time, or both. There were no donor-imposed restrictions on net assets as of June 30, 2025 and 2024.

Revenue recognition – The Association recognizes revenue in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligation in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue when (or as) the Association satisfied a performance obligation.

Membership dues – Membership dues, which are calculated based on each county's population, are paid annually, and are recognized on a straight-line basis over the term of the membership period.

Litigation dues – CSAC sponsors a litigation coordination program that is administered by the County Counsels' Association. Litigation dues are recognized on a straight-line basis over the term of the service period.

Program revenue – CSAC sponsors an annual challenge award program. Program revenue is recognized when the awards are announced.

Meetings – CSAC provides meetings, events, and workshops throughout the year to members and nonmembers. Meetings revenue is recognized when the meetings, events, and workshops are held.

Management fees – CSAC manages accounting and operations for other entities based on contractual agreements. Management fee revenue is recognized as the contractual obligation is met.

Rental income, net of expenses – CSAC leases office space to tenants in its office building at 1100 K Street and recognizes the rental income on a straight-line basis over the life of the leases, net of CSAC's portion of occupancy related expenses. During the anticipated building renovation that will begin during the year ending June 30, 2026, these leases will be terminated. CSAC recognized \$191,626 and \$197,218 of rental income from leasing office space to tenants, net of occupancy related expenses of \$228,516 and \$238,741, during the years ended June 30, 2025 and 2024, respectively.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Finance Corporation financing programs – CSCDA charges a fee, generally based on a percentage of the financing amount, to the participants in the financing programs. CSCDA's managers receive 33% to 70% of the program fees, and the remainder of the fees are divided among the program's sponsors. Program fees represent the FC's share of those fees. FC recognizes these revenues when services are rendered as performance obligations are satisfied.

Finance Corporation cooperative purchasing – Cooperative purchasing income consists primarily of FC's share of administrative fees earned as a state sponsor of U.S. Communities, a 501(c)(3) nonprofit corporation that provides a national structure for local government agencies to make use of their collective purchasing power, and to improve the overall effectiveness of their purchasing processes. U.S. Communities receives fees from the participating vendors based on the volume of purchases. Those fees are then distributed to the various state sponsors. Cooperative purchasing income also includes royalty income from sponsorship of a discount prescription card available to county employees. FC recognizes these revenues when purchases by vendors are made as performance obligations are satisfied.

Finance Corporation corporate associates – The Corporate Associates Program generates revenue via corporate annual memberships, sponsorships, and exhibit booth rental. The program funds various CSAC conferences and functions. All net revenue from this program is provided to CSAC as a direct contribution from the program. FC recognizes these revenues when membership services are provided as performance obligations are satisfied, and sponsorships and booth rental services are recognized at a point in time when the event or conference occurs.

Finance Corporation deferred compensation and insurance royalties – Deferred compensation and insurance royalties consist of income earned from FC's sponsorship of the National Association of County's deferred compensation program and royalties earned pursuant to a memorandum of understanding with CSAC Excess Insurance Authority's (EIA) personal lines of insurance program (PLIP). FC recognizes these revenues as the vendor receives and consumes the benefit from FC's performance of providing access to its intellectual property as performance occurs.

Finance Corporation CalTrust income – FC requires each applicant of the various bond programs to pay a nonrefundable application fee. If they participate in a bond issuance, the fee is recognized by the program's sponsors, FC, and the League of California Cities. If the application is canceled, the fee is transferred to the CSCDA administrative fund. In addition, accepted participants may advance deposits as a requirement of the State of California or to cover anticipated expenses. These deposits are also held in trust. All deposits are held by a bank trustee and are not a part of these consolidated financial statements. FC recognizes these revenues when an applicant participates in a bond issuance as performance occurs.

Foundation grants – Grants revenue is evaluated on a case-by-case basis to determine whether the grant is a contribution or exchange-based. Historically, the Foundation's grants have met the criteria of a contribution. Grant revenue is recorded to the extent that the specified expenses have been incurred or conditions have been met.

The Foundation reports contributions as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction is satisfied or a stipulated time restriction ends, net assets are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Foundation registration fees – Registration fees are recorded as revenue to the extent that the educational classes have been provided.

Other revenue – Other revenue consists of print shop revenue, legal service revenue, website advertisement revenue, computer service revenue, and CSAC grants initiative revenue, and they are recognized as services are performed and as expenses are incurred.

Concentrations and credit risk – As of June 30, 2025 and 2024, three and two customers accounted for 78% and 58% of CSAC accounts receivable, respectively. As of June 30, 2025 and 2024, four and two customers accounted for 69% and 70% of the Foundation accounts receivable, respectively.

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of investments in excess of Securities Investor Protection Corporation (SIPC) insurance and cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit. The Association occasionally maintains balances in depository and brokerage accounts in excess of the respective FDIC and SIPC insurance limits.

Functional expense allocation - Some expense categories are attributable to more than one activity and required allocation, applied on a consistent basis. Salaries and benefits are allocated based on time and effort spent. Technology services and occupancy expenses are allocated based on headcount. Professional services have been allocated based on usage by each program or department. Other expenses are assigned directly to specific activities as appropriate.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued. The Association recognizes in its consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Association's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date, and before the consolidated financial statements are available to be issued.

Subsequent events have been evaluated through November 20, 2025, the date the consolidated financial statements were available to be issued.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Note 2 – Property and Equipment, Net

Property and equipment, net consisted of the following as of June 30:

	2025	2024
Building improvements	\$ 1,883,178	\$ 1,883,178
Buildings	858,364	858,364
Land	398,049	398,049
Furniture	270,538	270,538
Equipment	155,479	155,479
Construction in process	615,594	29,410
Total property and equipment	4,181,202	3,595,018
Less accumulated depreciation	(3,060,232)	(2,745,356)
Property and equipment, net	<u>\$ 1,120,970</u>	<u>\$ 849,662</u>

Depreciation expense amounted to \$314,876 and \$47,864 for the years ended June 30, 2025 and 2024, respectively. Depreciation expense in the year ended June 30, 2025, included \$253,947 of accelerated depreciation related to the revision of building and building improvements useful life (see Note 1).

Note 3 – FC Notes Receivables

In 2018, FC entered into an agreement with the California Cannabis Authority (CCA) to provide management services. FC provided CCA with a total of \$501,232 in startup funds. Of this amount, \$200,000 was provided as cash, and \$101,232 was provided via the direct payment of CCA creation legal fees, contractors, and incidental charges. An additional \$200,000 cash loan was provided to CCA during the year ended June 30, 2019, to fund their ongoing development. Under the original agreement, these amounts were to be recovered through transaction-based fees; however, this structure was superseded by a new agreement executed in June 2024.

Under the 2024 intellectual property license, royalty, and program administration agreement, FC granted CCA a nonexclusive license to use its name and logo and agreed to provide management and administrative services. FC will recover the previously incurred \$501,232 in formation costs through offsets from Executive Director and Chief Financial Officer service fees. After full recovery, FC will receive royalty payments equal to the greater of 50% of CCA's net positive income or 3% of total combined revenue in years with positive income. The agreement commenced June 1, 2024, and continues through June 30, 2026, with automatic two-year renewals through June 30, 2030, unless terminated earlier. No royalty payments were received during the year ended June 30, 2025. Management expects recovery of a portion of the information costs during the year ending June 30, 2026, and has classified an estimated \$50,000 as current on the statement of financial position.

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Notes to Consolidated Financial Statements

On May 24, 2022, FC entered into an agreement with Smart Easy Pay, Inc. to provide a principal revolving credit amount of \$500,000 at an annual rate of 3%. On July 19, 2023, the Corporation transferred an additional \$500,000 to Smart Easy Pay, Inc. On June 26, 2024, the Corporation transferred another \$500,000 to Smart Easy Pay, Inc. On March 25, 2025, the Corporation transferred another \$500,000 to Smart Easy Pay, Inc. As of June 30, 2025, the principal and interest balances due from Smart Easy Pay, Inc., are \$2,000,000 and \$48,863. On June 30, 2032, the maturity date, the entire unpaid principal amount and any interest accrued but unpaid and all other sums due under this note will be due in full to FC.

Note 4 – Income Taxes

CSAC is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code (IRC). It is subject to tax on its unrelated business income, primarily due management fees, print shop, and rent income from a controlled entity. Income taxes are provided for the tax effects of unrelated business income reported in the consolidated financial statements. The Foundation has no unrecognized tax benefits as of June 30, 2025 and 2024. CSAC had no cash payments for taxes for the years ended June 30, 2025 and 2024.

FC is exempt from income taxes under Section 501(c)(4) of the IRC. It is subject to tax on its unrelated business income. Income taxes are provided for the tax effects of unrelated business income reported in the consolidated financial statements. There were no income taxes payable as of June 30, 2025 and 2024. FC recognized a prepaid state income tax asset in the amount of \$0 and \$17,678 as of June 30, 2025 and 2024, respectively.

FC is subject to income taxes on income it receives from the NACo deferred compensation program. Income tax expense for the years ended June 30, 2025 and 2024, and has been reported as an FC deferred compensation program expense on the consolidated statements of activities. No cash payments for taxes amounts for the years ended June 30, 2025 and 2024.

The Foundation is a nonprofit organization that is exempt from federal and California income tax on income related to its exempt purpose under IRC Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Income unrelated to the Foundation's tax-exempt purpose may constitute unrelated business income under IRC Sections 511 through 515. The Foundation has no unrecognized tax benefits as of June 30, 2025 and 2024.

CCCBM is a nonprofit organization that is exempt from federal and California income tax on income related to its exempt purpose under IRC Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Income unrelated to CCCBM's tax-exempt purpose may constitute unrelated business income under IRC Sections 511 through 515. CCCBM has no unrecognized tax benefits as of June 30, 2025 and 2024.

CSAC, FC, the Foundation, and CCCBM believe they have appropriate support for any tax positions taken and, as such, do not have any uncertain tax positions that are material to the consolidated financial statements.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Note 5 – Deferred Compensation

Substantially all employees at the Association are eligible to participate in a deferred compensation plan. Employees, at their sole discretion, can set aside a portion of their salary, up to the maximum amount allowed by the Internal Revenue Service. There are two investment plans, one sponsored by the Nationwide Investment Foundation and the other by Aetna Life Insurance and Annuity Company. Both plans offer various investment options. The Association does not make contributions to the plans and incurred no expenses in connection with the plans. In accordance with the Small Business Job Protection Act, the assets are held in trust for the exclusive benefit of plan participants. Accordingly, the assets of the plan totaled \$16,264,485 and \$15,548,423 as of June 30, 2025 and 2024, respectively. The liabilities related to the plan represent the amounts owed to the employees, which was \$16,264,485 and \$15,548,423 as of June 30, 2025 and 2024, respectively. The deferred compensation has not been included in these consolidated financial statements.

Note 6 – Defined Benefit Pension Plans

Substantially all employees at the Association are eligible to participate in the San Bernardino County Employees' Retirement Association. The employees of FC are eligible to participate in the San Bernardino County Employees' Retirement Association through CSAC. The San Bernardino County Employees' Retirement Association is a cost-sharing multi-employer defined benefit pension plan (the SBCERA Plan) operating under the California County Employees Retirement Act of 1937, EIN #95-6193238. The SBCERA Plan provides a monthly retirement benefit based upon length of service, salary, and age at retirement. The SBCERA Plan also provides disability benefits to members and death benefits to beneficiaries of members. The risks of participating in a multi-employer plan are different from single-employer plans. Specifically, CSAC and FC may be liable, on termination or withdrawal from the SBCERA Plan, for allocated shares of the plan's unfunded vested benefits. CSAC and FC currently have no intention to terminate or withdraw from the SBCERA Plan.

The Association's employees become eligible for membership on their first day of regular employment and become fully vested after five years.

Participating members and the employers are required to contribute a percentage of covered salary to the plan based on the member's age at entry and actuarial assumptions. The SBCERA Plan has two tiers with different benefit and contribution formulas. Generally, employees hired before January 1, 2013, are in Tier 1, and those hired after that date are in Tier 2. For Tier 1 employees, contributions are based on salary plus certain benefits, and the Association will pay a portion of the employee's contributions. For Tier 2 employees, the contributions are based on salary only, and the employee must pay all of the employee portion.

CSAC total contributions to the SBCERA Plan amounted to \$1,571,273 and \$1,661,463 for the years ended June 30, 2025 and 2024, respectively, which represented 31% and 34%, respectively, of covered payroll. FC total contributions to the SBCERA Plan amounted to \$545,301 and \$435,028 for the years ended June 30, 2025 and 2024, respectively, which represented 33% and 32%, respectively, of covered payroll. CSAC and the FC contributions individually represented less than 5% of total plan contributions per SBCERA Plan's most recently available annual report, which was for the year ended June 30, 2025 (available at www.sbcera.org). As of June 30, 2025, total plan assets were \$15,248,225,226 the actuarial accrued liability was \$17,369,677,774, and the plan was 87.79% funded.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Note 7 – Related-party Transactions

CSAC, the League of California Cities, and the California Special Districts Association are affiliated with the Institute for Local Government (ILG). The Chief Executive Officer (CEO) of CSAC is a Board member of ILG. Contributions to ILG amounted to \$80,000 for the years ended June 30, 2025 and 2024.

CSAC is affiliated with the County Counsels' Association of California. The Director of CSAC's Litigation Program is also the Executive Director of the County Counsels' Association of California. Approximately 80% of the Director's salary and benefits are funded by CSAC's Litigation Program and 20% are paid by the County Counsels' Association of California. CSAC's Litigation Program also funds 80% of the Information Technology Specialist's salary and benefits and 50% of the Associate Counsel's salary and benefits.

Smart Easy Pay is a for-profit corporation in which FC is a 30% shareholder. In addition, the CEO of FC personally is a 15% shareholder in Smart Easy Pay. The personal holding in Smart Easy Pay by the CEO was disclosed to and approved by the Board and outside legal counsel prior to the distribution of shares.

Note 8 – Contingencies and Other Commitments

From time to time, the Association is a party to certain legal proceedings arising out of the ordinary course of business, the outcomes of which individually or in aggregate, in the opinion of the Association's management, would not have a material adverse effect on the Association's business, consolidated financial position, or change in their net assets.

CSAC has entered into contracts for meetings to be held starting in the year ending June 30, 2026, and continuing through 2029. These contracts contain deposits, room, food and beverage commitments, and cancellation fees. The maximum cancellation fee under the contracts if the contracts were canceled as of the date of the consolidated financial statements were available to be issued was \$1,844,626 and \$971,090 as of June 30, 2025 and 2024, respectively.

CSAC has a contract for federal affairs services, which may be amended, except by the mutual written agreement of the parties. Future contract payments are as follows:

Years Ending June 30,	
2026	\$ 351,000
2027	361,500
Total	\$ 712,500

CSAC's unemployment claims are processed by the Employment Development Department (EDD). CSAC was not aware of any potential claims for unemployment as of the date the consolidated financial statements were available to be issued.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Note 9 – Liquidity and Availability of Resources

The following reflects the Association's financial assets as of June 30 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year:

	2025	2024
Financial assets		
Cash	\$ 6,711,669	\$ 8,791,420
Investments	26,166,178	23,651,525
Accounts receivable	2,525,113	3,999,937
FC other receivable	157,852	112,582
FC notes receivable	50,000	50,000
Funds held in custodial accounts	72,312	443,414
Financial assets, end of year	35,683,124	37,048,878
Less those unavailable for general expenditures within one year, due to		
Refundable advances	(580,817)	(383,665)
Funds held in custodial accounts	(72,312)	(443,414)
Board-designated for reserves	(14,186,227)	(11,765,100)
Deferred registration fees related to educational classes	(90,596)	(159,282)
Subtotal	(14,929,952)	(12,751,461)
Financial assets available to meet cash needs for general expenditures within one year	\$ 20,753,172	\$ 24,297,417

CSAC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, CSAC invests cash in excess of daily requirements in short-term investment accounts. The Association's working capital, current assets less current liabilities, as of June 30, 2025 and 2024, was \$33,773,038 and \$34,787,953, respectively. Days cash on hand, calculated taking cash as a percentage of annual expenses multiplying by 365, for the years ended June 30, 2025 and 2024, was 140 and 185, respectively.

California State Association of Counties and Affiliates

Notes to Consolidated Financial Statements

Note 10 – Net Assets

Net assets consisted of the following as of June 30, 2025:

	CSAC	FC	Foundation	Total
Board designation without donor restrictions				
Board designated for operating reserves	\$ 7,338,000	\$ 4,161,500	\$ -	\$ 11,499,500
Board designated for building fund	1,661,727	-	-	1,661,727
Board designated for County Priority Initiatives	250,000	-	-	250,000
Board designated for Foundation support	400,000	-	-	400,000
Board designated for campaign fund	375,000	-	-	375,000
Total board designated	10,024,727	4,161,500	-	14,186,227
Undesignated without donor restrictions	3,370,719	18,237,481	1,158,376	22,766,576
Total net assets without donor restrictions	13,395,446	22,398,981	1,158,376	36,952,803
Total net assets	\$ 13,395,446	\$ 22,398,981	\$ 1,158,376	\$ 36,952,803

Net assets consisted of the following as of June 30, 2024:

	CSAC	FC	Foundation	Total
Board designation without donor restrictions				
Board designated for operating reserves	\$ 7,163,000	\$ 1,777,100	\$ -	\$ 8,940,100
Board designated for building fund	1,750,000	-	-	1,750,000
Board designated for County Priority Initiatives	500,000	-	-	500,000
Board designated for Foundation support	575,000	-	-	575,000
Total board designated	9,988,000	1,777,100	-	11,765,100
Undesignated without donor restrictions	3,669,829	20,745,556	1,047,572	25,462,957
Total net assets without donor restrictions	13,657,829	22,522,656	1,047,572	37,228,057
Total net assets	\$ 13,657,829	\$ 22,522,656	\$ 1,047,572	\$ 37,228,057

The board-designated funds are board approved monies allocated toward reserves to maintain operations of the Association and maintain CSAC's building.

Supplementary Information

California State Association of Counties and Affiliates
Consolidating Statement of Financial Position
June 30, 2025

	CSAC	FC	Foundation	Eliminating Entries	Consolidated Balance
ASSETS					
CURRENT ASSETS					
Cash	\$ 4,046,047	\$ 1,940,103	\$ 725,519	\$ -	\$ 6,711,669
Investments	7,928,605	17,489,140	748,433	-	26,166,178
Accounts receivable	1,299,340	623,462	602,311	-	2,525,113
FC other receivable	-	157,852	-	-	157,852
Prepaid expenses and other assets	491,457	-	19,225	-	510,682
Due from affiliates	724,807	-	-	(724,807)	-
Funds held in custodial accounts	21,566	-	50,746	-	72,312
FC notes receivable, current portion	-	50,000	-	-	50,000
FC prepaid federal income tax	-	185,549	-	-	185,549
Total current assets	14,511,822	20,446,106	2,146,234	(724,807)	36,379,355
NONCURRENT ASSETS					
Property and equipment, net	1,120,970	-	-	-	1,120,970
Intangible assets, net	156,709	-	31,671	-	188,380
FC notes receivable, net of current portion	-	2,451,232	-	-	2,451,232
Total noncurrent assets	1,277,679	2,451,232	31,671	-	3,760,582
Total assets	\$ 15,789,501	\$ 22,897,338	\$ 2,177,905	\$ (724,807)	\$ 40,139,937
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 1,161,491	\$ 64,234	\$ 214,302	\$ -	\$ 1,440,027
Accrued vacation and vested sick leave	626,381	234,252	-	-	860,633
Funds held in custodial accounts	21,566	-	50,746	-	72,312
Due to affiliates	3,800	-	521,136	(524,936)	-
Deferred revenue, current portion	-	-	233,345	-	233,345
FC due to CSAC	-	199,871	-	(199,871)	-
Total current liabilities	1,813,238	498,357	1,019,529	(724,807)	2,606,317
NONCURRENT LIABILITIES					
Deferred revenue, net of current portion	580,817	-	-	-	580,817
Total noncurrent liabilities	580,817	-	-	-	580,817
Total liabilities	2,394,055	498,357	1,019,529	(724,807)	3,187,134
NET ASSETS					
Without donor restrictions - board designated	10,024,727	4,161,500	-	-	14,186,227
Without donor restrictions - undesignated	3,370,719	18,237,481	1,158,376	-	22,766,576
Total net assets	13,395,446	22,398,981	1,158,376	-	36,952,803
Total liabilities and net assets	\$ 15,789,501	\$ 22,897,338	\$ 2,177,905	\$ (724,807)	\$ 40,139,937

California State Association of Counties and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
June 30, 2025

	CSAC	FC	Foundation	Eliminating Entries	Consolidated Balance
REVENUES WITHOUT DONOR RESTRICTIONS					
Revenues					
Membership dues	\$ 3,748,607	\$ -	\$ -	\$ -	\$ 3,748,607
Litigation dues	447,499	-	-	-	447,499
Program revenue	182,839	-	-	-	182,839
Meetings	679,335	-	-	-	679,335
Management fees	753,702	-	-	-	753,702
Rental loss, net of expenses of \$228,516	(36,890)	-	-	-	(36,890)
Interest and investment gain, net	503,932	773,844	31,166	-	1,308,942
Contributed financial assets from FC	5,725,000	-	-	(5,725,000)	-
FC financing programs	-	5,220,739	-	-	5,220,739
FC cooperative purchasing	-	379,140	-	-	379,140
FC corporate associates	-	1,488,327	-	-	1,488,327
FC deferred compensation and insurance royalties	-	860,831	-	-	860,831
FC CalTrust income	-	445,982	-	-	445,982
Foundation grants	-	-	150,000	-	150,000
Foundation contributions from CSAC	-	-	400,000	(400,000)	-
Foundation CSAC grants initiative program revenue	-	-	485,417	-	485,417
Foundation contributed nonfinancial assets from CSAC	-	-	122,739	(122,739)	-
Foundation registration fees	-	-	887,683	-	887,683
Other revenue	286,231	27,578	13,030	(158,352)	168,487
Total revenues	12,290,255	9,196,441	2,090,035	(6,406,091)	17,170,640
Expenses					
Program services					
Advocacy Program	8,539,220	-	-	(110,000)	8,429,220
County Support Program	776,572	-	-	-	776,572
FC financing programs	-	397,909	-	-	397,909
FC cooperative purchasing	-	1,089,075	-	-	1,089,075
FC deferred compensation	-	846,295	-	-	846,295
FC Corporate Associates Program	-	1,269,219	-	(425,000)	844,219
Foundation Institute	-	-	1,155,306	(95,385)	1,059,921
Foundation grants initiative	-	-	736,741	-	736,741
Total program services	9,315,792	3,602,498	1,892,047	(630,385)	14,179,952
Supporting services					
General and administrative	2,836,846	-	-	(48,352)	2,788,494
Contributions to Foundation	400,000	-	-	(400,000)	-
Contributions to CSAC	-	5,300,000	-	(5,300,000)	-
FC general and administrative	-	417,618	-	-	417,618
Foundation general and administrative	-	-	87,184	(27,354)	59,830
Total supporting services	3,236,846	5,717,618	87,184	(5,775,706)	3,265,942
Total expenses	12,552,638	9,320,116	1,979,231	(6,406,091)	17,445,894
Change in net assets without donor restrictions	(262,383)	(123,675)	110,804	-	(275,254)
CHANGE IN NET ASSETS	(262,383)	(123,675)	110,804	-	(275,254)
NET ASSETS, beginning of year	13,657,829	22,522,656	1,047,572	-	37,228,057
NET ASSETS, end of year	\$ 13,395,446	\$ 22,398,981	\$ 1,158,376	\$ -	\$ 36,952,803

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Communication of Internal
Control Related Matters

California State Association of Counties and Affiliates

June 30, 2025



Communications of Internal Control Related Matters

The Board of Directors of
California State Association of Counties and Affiliates

In planning and performing our audit of the consolidated financial statements of California State Association of Counties and Affiliates (collectively, the Association) as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, the Executive Committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly US, LLP

Rancho Cordova, California
November 20, 2025

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December 2, 2025

TO: CSAC Executive Committee

FROM: Graham Knaus, Chief Executive Officer
Chastity Benson, Chief Operating Officer

RE: **SBCERA Survivor Benefit Resolution**

Recommendation: Approve and adopt SBCERA Resolution Reconfirming and Restating Inclusion of CSAC Employees within the Coverage of Article 15.6 of County Employees' Retirement Law.

Background: Staff recommends approval of the attached Resolution reconfirming and restating the inclusion of CSAC employees within the coverage of Article 15.6 (Survivor Benefits) of the County Employees' Retirement Law of 1937 (CERL). This action is part of an ongoing effort to clean up and clarify SBCERA's governing plan documents.

The adoption of the Resolution is largely ministerial in nature and intended to reaffirm a long-standing statutory operational practice. Specifically, it confirms that CSAC employees remain covered under Article 15.6 of the CERL, which provides for survivor benefits in lieu of Social Security coverage for eligible members/beneficiaries.

Article 15.6 became operative in San Bernardino County following the adoption of Resolution No. R-75-47 by the San Bernardino County Board of Supervisors on March 31, 1975. This replaced Social Security benefits effective January 3, 1976. The implementation of Article 15.6 in lieu of Social Security was applicable to employees assigned to SBCERA. Following CSAC's designation as eligible for SBCERA membership, the employees of CSAC have been included within the coverage of Article 15.6 regarding survivor benefits.

The Resolution formally reconfirms and restates that CSAC employees remain covered under Article 15.6 as required by Government Code section 31855.2. The Resolution does not create new obligations or change existing policy. Rather, it serves to clarify and document the continued applicability of Article 15.6 to CSAC employees.

This resolution is being required of all employers in SBCERA as part of SBCERA's governance document cleanup efforts, ensuring alignment between historical practice, statutory authority, and SBCERA governing plan document.

RESOLUTION NO. 01-2025

A Resolution of California State Association of Counties (CSAC) reconfirming and restating inclusion of its employees within the coverage of Article 15.6 of County Employees' Retirement Law.

WHEREAS, San Bernardino County Employees' Retirement Association (SBCERA) is a California public retirement system, subject to the County Employees Retirement Law of 1937, as set forth in Government Code section 31450 et. seq. (the CERL); and

WHEREAS, the California State Association of Counties (CSAC) is a participating employer in SBCERA as a special district under the CERL; and

WHEREAS, Article 15.6 of the CERL regarding survivor benefits is only applicable to eligible members of districts who have adopted by separate resolution inclusion of their respective employees within coverage of Article 15.6; and

WHEREAS, on March 31, 1975, the San Bernardino County Board of Supervisors adopted Resolution No. R-75-47, pursuant to which Article 15.6 of the CERL became operative in San Bernardino County; and

WHEREAS, employees of CSAC participate in SBCERA and are eligible to receive retirement benefits and related benefits, including survivor benefits provided the employee has completed at least eighteen (18) continuous months of credited service with SBCERA; and

WHEREAS, employees of CSAC who are classified as general members of the SBCERA retirement system contribute to the Survivor Benefit Reserve Fund as part of their inclusion within coverage of Article 15.6 of the CERL; and

WHEREAS, CSAC as a special district, is required by Government Code section 31855.2 to separately adopt this Resolution to include its employees within coverage of Article 15.6 of the CERL;

NOW, THEREFORE, BE IT RESOLVED that the California State Association of Counties (CSAC) hereby reconfirms and restates the inclusion of its employees within coverage of Article 15.6 of the County Employees Retirement Law of 1937, and acknowledges the ongoing participation of its eligible employees in the survivor benefits administered by SBCERA.

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IN WITNESS WHEREOF, the above resolution is hereby adopted by the CSAC Executive Committee this 2nd day of December, 2025 on the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CALIFORNIA STATE ASSOCIATION OF COUNTIES

By: _____
Jeff Griffiths, President