

**CalSAWS  
Consortium  
JPA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020**

**CalSAWS Consortium  
(A Joint Powers Authority)**

**Financial Statements  
and  
Required Supplementary Information  
with  
Independent Auditor's Report**

**For the Fiscal Year Ended  
June 30, 2020**

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## Independent Auditor's Report

To the Board of Directors  
of the California Statewide Automated Welfare System (CalSAWS) Consortium JPA  
Rancho Cordova, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the CalSAWS Consortium JPA (Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Authority as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 and 23 be presented to supplement the basic financial statements. Such information, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the Authority'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 solely 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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
March 26, 2021

**CalSAWS Consortium  
(A Joint Powers Authority)  
Statement of Net Position  
June 30, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash in County of San Bernardino Treasurer's Pool	\$ 21,481,451
Due From Other Governments:	
State of California	23,969,274
Member Counties	9,528,165
Prepaid Items	15,661,687
Capital Assets, Not Being Depreciated and Amortized	127,193,884
Capital Assets, Net of Accumulated Depreciation and Amortization	64,503,161
Total Assets	262,337,622
<b>LIABILITIES</b>	
Accounts Payable	31,777,316
Due To Other Governments:	
State of California	10,237,853
County of San Bernardino	30,992
Member Counties	6,183,714
Non-Current Liabilities	
Due Within One Year:	
Capital Leases	14,798
Due In More Than One Year:	
Capital Leases	62,840
Retentions Payable	6,749,015
Total Liabilities	55,056,528
<b>NET POSITION</b>	
Net Investment in Capital Assets	191,619,407
Unrestricted	15,661,687
Total Net Position	\$ 207,281,094

*The accompanying notes are an integral part of these financial statements.*

**CalSAWS Consortium  
(A Joint Powers Authority)  
Statement of Activities  
For the Fiscal Year Ended June 30, 2020**

<u>FUNCTION/PROGRAM</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE)/REVENUE AND CHANGES IN NET POSITION</u>
	<u>Expenses</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Public Assistance	\$ 343,800,803	\$ 410,726,973	\$ 66,926,170
Interest on Long Term Debt	6,033	-	(6,033)
Total Governmental Activities	<u>\$ 343,806,836</u>	<u>\$ 410,726,973</u>	<u>66,920,137</u>
<b>GENERAL REVENUES:</b>			
Local Revenues - Consortium Member Counties			<u>31,131,000</u>
Total General Revenues			<u>31,131,000</u>
Change in Net Position			98,051,137
Net Position, Beginning			<u>109,229,957</u>
Net Position, Ending			<u>\$ 207,281,094</u>

*The accompanying notes are an integral part of these financial statements.*

**CalSAWS Consortium  
(A Joint Powers Authority)  
Balance Sheet - Governmental Fund  
General Fund  
June 30, 2020**

**ASSETS**

Cash in County of San Bernardino Treasurer's Pool	\$ 21,481,451
Due From Other Governments:	
State of California	23,969,274
Member Counties	9,528,165
Prepaid Items	15,661,687
Total Assets	\$ 70,640,577

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND FUND BALANCE**

<u>Liabilities</u>	
Accounts Payable	\$ 31,777,316
Due To Other Governments:	
State of California	10,237,853
County of San Bernardino	30,992
Member Counties	6,183,714
Total Liabilities	48,229,875

**DEFERRED INFLOWS OF RESOURCES**

	6,749,015
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<u>Fund Balance</u>	
Nonspendable for Prepaid Items	15,661,687
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 70,640,577

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

Fund Balance - Governmental Fund	\$ 15,661,687
Due From Other Governments include amounts that are not available to pay for current-period expenditures and, therefore, are deferred or not reported in the governmental funds and recognized as revenue in the statement of activities.	6,749,015
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	191,697,045
Long-term liabilities consisting of capital leases are not due and payable in the current period and, therefore, are not reported in the funds.	(77,638)
Retentions payable are not due and payable in the current period and, therefore, are not reported in the funds.	(6,749,015)
Net Position of Governmental Activities	\$ 207,281,094

*The accompanying notes are an integral part of these financial statements.*



**CalSAWS Consortium**  
**(A Joint Powers Authority)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020**

**REVENUES**

Intergovernmental - Federal	\$ 263,702,555
Intergovernmental - State	140,275,404
Intergovernmental - Consortium Member Counties	31,131,000
Total Revenues	435,108,959

**EXPENDITURES**

Current:	
Public Assistance	302,120,649
Debt Service:	
Principal	8,535
Interest	6,033
Capital Outlay	128,810,912
Total Expenditures	430,946,129

Excess (Deficiency) of Revenues over (under) Expenditures	4,162,830
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**OTHER FINANCING SOURCES (USES)**

Capital Leases	49,106
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Change in Fund Balance	4,211,936
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**FUND BALANCE**

Fund Balance, Beginning	11,449,751
Fund Balance, Ending	\$ 15,661,687

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

Change in Fund Balance - Governmental Fund	\$ 4,211,936
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Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This amount may or may not exceed depreciation, amortization, and loss on disposal of capital assets, resulting in a negative or positive number.

	93,879,772
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

	(40,571)
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Change in net position of governmental activities	\$ 98,051,137
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*The accompanying notes are an integral part of these financial statements.*

**CalSAWS Consortium**  
**(A Joint Powers Authority)**  
**Notes to the Financial Statements**  
**June 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

Pursuant to the California Government Code Section 6500 et seq., a joint powers authority (Authority) was formed in 1998 to provide an automated welfare system to be used by the counties of San Bernardino, Riverside, Merced, and Stanislaus. On June 1, 2007, a new joint exercise of powers agreement was approved by the Authority adding thirty-five counties (County of Alpine, County of Amador, County of Butte, County of Calaveras, County of Colusa, County of Del Norte, County of El Dorado, County of Glenn, County of Humboldt, County of Imperial, County of Inyo, County of Kern, County of Kings, County of Lake, County of Lassen, County of Madera, County of Marin, County of Mariposa, County of Mendocino, County of Modoc, County of Mono, County of Monterey, County of Napa, County of Nevada, County of Plumas, County of San Benito, County of San Joaquin, County of Shasta, County of Sierra, County of Siskiyou, County of Sutter, County of Tehama, County of Trinity, County of Tuolumne, and County of Yuba) to the original four under the name of the *California Statewide Automated Welfare System Consortium IV (C-IV)*. On September 1, 2017, the joint powers agreement was amended to include the County of Los Angeles to form a forty-member county Authority and changing name to *California Automated Consortium Eligibility System (CalACES)*. On June 28, 2019, the joint powers agreement was amended to include the 18 counties (County of Alameda, County of Contra Costa, County of Fresno, County of Orange, County of Placer, County of Sacramento, County of San Diego, County of San Francisco, County of San Luis Obispo, County of San Mateo, County of Santa Barbara, County of Santa Clara, County of Santa Cruz, County of Solano, County of Sonoma, County of Tulare, County of Ventura, and County of Yolo) of the SAWS Welfare Client Data Systems Consortium (CalWIN) and became known as the *CalSAWS Consortium*. The counties have been divided into six regions, with the County of Los Angeles representing Region 6. The Authority is governed and administered by a twelve-member board consisting of two board members each from Regions 1 and 4, one board member each from Regions 2 and 3, and three board members each from Regions 5 and 6. In addition, a state representative serves as an Ex Officio member of the board.

The Authority was created for the purpose of the design, development, implementation, and on-going operation and maintenance of an automated welfare system to be used by each of the fifty-eight member counties. The primary objective of the migration project is to provide member counties with a viable solution to meet their long-term automation needs. The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practice within California Joint Powers Authorities.

Management determines the accounting principles to be used in the preparation of the financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**(b) Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority. *Governmental activities* are supported by operating grants and member contribution revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues are presented instead as general revenues. Net position is comprised of net investment in capital assets and unrestricted net position.

**(c) Measurement Focus, Basis of Accounting, and Fund Financial Statement Descriptions**

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 when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements to the net position and changes in net position presented on the government-wide financial statements. The Authority has only one major governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The Authority considers items available if received within 9 months of year end, for voluntary non-exchange transactions such as federal and state grants. All other revenues are accrued when their receipt occurs within sixty days after the end of the accounting period, and are recognized as revenues. The Authority reports items as deferred inflows of resources when all eligibility requirements are met except for timing requirements or resources recognized as assets that do not meet the aforementioned availability periods for recognition as revenue in governmental funds.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

Expenditures are recorded when a liability is incurred, as under the accrual basis of accounting. However, expenditures related to long-term debt are recorded only when payment is due. Capital asset acquisitions are reported as expenditures. Proceeds of long-term debt and capital leases are reported as other financing sources.

The Authority reports the following major governmental fund:

The General Fund is the primary operating fund of the Authority. It is used to account for all revenues and expenditures not required to be accounted for in another fund.

**(d) Cash in County of San Bernardino Treasurer’s Pool**

Pursuant to the Joint Exercise of Powers Agreement, the Treasurer of the County of San Bernardino (County) has custody of all cash for the Authority. The Authority’s share of the pooled cash account is separately accounted for in its own operating fund, net of related expenses. The Authority’s position in the County’s treasury pool is reported at fair value.

**(e) Capital Assets**

Capital assets, which include computer hardware, purchased and internally generated software, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial, individual cost of \$5,000 or more for computer hardware, and \$40,000 for purchased and internally generated software with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or developed. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Capital assets are depreciated and amortized using the straight-line method over the following estimated useful lives:

Computer Hardware	5 years
Purchased Software	3 years
Internally Generated System – C-IV	End of FY 2021
Internally Generated System – LRS	End of FY 2042

The C-IV system is scheduled to migrate into LRS by September 2021. LRS will serve as the main platform for the automated welfare system to be used by all fifty-eight member counties. LRS is estimated to have a useful life of 20 years that will end in fiscal year 2042. Certain intangible assets with contractual, legal, regulatory, or any other factors, which limit the useful lives of those assets, are amortized in accordance with such factors or provisions.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**(f) Fund Balance Classification**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

1. Nonspendable – amounts that are not in a spendable form (such as prepaid items and inventories of supplies) or are required to be maintained intact.
2. Restricted – amounts constrained to specific purposes by external parties (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
3. Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority (the board of directors); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
4. Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body, or by an official or body to which the governing body delegates the authority.
5. Unassigned – amounts that are for any purpose; only the general fund can report a positive amount of unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources (committed, assigned and unassigned, as they are needed). The Authority designates committed fund balance through board resolution, which is the highest form of decision-making authority.

**(g) Prepaid Items**

Certain payments to vendors at or above \$5,000 reflecting costs applicable to future accounting periods are recorded as prepaid items and are accounted for as expenses when consumed rather than purchased in both the government-wide and the fund financial statements. \$10,006 of the prepaid item balance is for insurance and the remaining \$15,651,681 is for prepaid software and hardware support.

**(h) Receivables and Payables**

Generally Accepted Accounting Principles require receivables to be recorded when revenue is earned but not yet received as of fiscal year-end. \$23,969,274 and \$9,528,165 of the due from other governments balance are monies owed from the State of California and member counties, respectively, to settle the liabilities of the Authority.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

The Authority reports accounts payable of \$31,777,316 and \$16,452,559 due to other governments at June 30, 2020. These liabilities relate to the unpaid expenditures incurred as of June 30, 2020, to run day to day operations of the Authority.

**(i) Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources are a consumption of net position that is applicable to a future period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflows of resources has a positive effect on net position, similar to assets, and a deferred inflows of resources has a negative effect on net position, similar to liabilities. The Authority has \$6,749,015 that qualify as deferred inflows of resources as the amount is not available from the state within 9 months of fiscal year end.

**(j) Implemented Accounting Pronouncements**

During fiscal year 2020, the Authority adopted the following Governmental Accounting Standards Board (GASB) Statement(s):

- i) *GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for reporting periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately. The Authority adopted this Statement during the current fiscal year. As a result of adopting this statement, all Statements that were originally scheduled to be effective during the year ending June 30, 2020, have been deferred to fiscal years after the year ending June 30, 2020.

**(k) Use of Estimates**

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenditures, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2020**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Amounts reported for governmental activities in the statement of net position are different from those reported for governmental funds in the balance sheet. The following provides a reconciliation of those differences:

	Total Governmental Funds (Page 5)	Long-Term Assets and Liabilities (1)	Statement of Net Position Total (Page 3)
<b>ASSETS</b>			
Cash in County of San Bernardino Treasurer's Pool	\$ 21,481,451	\$ -	\$ 21,481,451
Due From Other Governments:			
State of California	23,969,274	-	23,969,274
Member Counties	9,528,165	-	9,528,165
Prepaid Items	15,661,687	-	15,661,687
Capital Assets, Not Being Depreciated and Amortized	-	127,193,884	127,193,884
Capital Assets, Net of Accumulated Depreciation and Amortization	-	64,503,161	64,503,161
	<u>70,640,577</u>	<u>191,697,045</u>	<u>262,337,622</u>
<b>Total Assets</b>			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE/NET POSITION</b>			
Liabilities:			
Accounts Payable	\$ 31,777,316	\$ -	\$ 31,777,316
Due To Other Governments:			
State of California	10,237,853	-	10,237,853
County of San Bernardino	30,992	-	30,992
Member Counties	6,183,714	-	6,183,714
Non-Current Liabilities			
Due Within One Year:			
Capital Leases	-	14,798	14,798
Due In More Than One Year:			
Capital Leases	-	62,840	62,840
Retentions Payable	-	6,749,015	6,749,015
	<u>48,229,875</u>	<u>6,826,653</u>	<u>55,056,528</u>
Total Liabilities			
Deferred Inflows of Resources - Unavailable Revenues	<u>6,749,015</u>	<u>(6,749,015)</u>	<u>-</u>
Fund Balance/Net Position	<u>15,661,687</u>	<u>191,619,407</u>	<u>207,281,094</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</b>	<u>\$ 70,640,577</u>	<u>\$ 191,697,045</u>	<u>\$ 262,337,622</u>

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2020**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (CONTINUED)**

(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Computer Hardware	\$ 22,331,770	
Software	355,323,709	
Internally Developed Software In Progress	127,193,884	
Accumulated Depreciation and Amortization	<u>(313,152,318)</u>	
		191,697,045

(1) Other assets that are not available to pay for current-period expenditures and, therefore, are not reported or are deferred in the governmental funds.

Due From Other Governments		
State of California		6,749,015

(1) Long-term liabilities that are not due and payable in the current period and, therefore, not reported in the funds.

Capital Leases Obligations	(77,638)	
Retentions Payable	<u>(6,749,015)</u>	
		<u>(6,826,653)</u>

Total		<u>\$ 191,619,407</u>
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(1) Expenditures for general capital assets and other related adjustments, including current year depreciation/amortization.

Computer Hardware	\$ 466,585	
Software	14,616,767	
Internally Developed Software In Progress	113,727,560	
Depreciation and Amortization	(32,138,411)	
Internally Developed Software In Progress Expensed	<u>(2,792,729)</u>	
Total		<u>\$ 93,879,772</u>

(1) GASB 34 Conversion Entries



**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS**

As discussed in Note 1 (d), the Authority's cash investments held in the San Bernardino County Treasurer's pool are reported on the basis of \$1, which approximates fair value (equivalent to the investment's net asset value per share), and is not subject to categorization of its fair value measurements in accordance with generally accepted accounting principles. The Authority's participation in the Treasurer's pool is voluntary. The San Bernardino County Treasurer's pool maintains a Treasury Oversight Committee who is responsible for reviewing investment policy. At June 30, 2020, the Authority's cash and investments held in the County Treasurer's pool totaled \$21,481,451.

Additional information regarding the Pool, including the investment portfolio and related interest rate, custodial credit, investment credit and concentration of credit risks, is presented in Note 4 of the San Bernardino County's Comprehensive Annual Financial Report (CAFR). Information regarding the CAFR can be found at <https://www.sbcounty.gov/atc/> or 268 W. Hospitality Lane, 4th Floor, San Bernardino, CA 92415-0018.

**CalSAWS Consortium**  
**(A Joint Powers Authority)**  
**Notes to the Financial Statements**  
**June 30, 2020**

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of the changes in capital assets during the year:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated/Amortized:				
Internally Developed Software in Progress	\$ 18,662,816	\$ 113,727,560	\$ (5,196,492)	\$ 127,193,884
Total Capital Assets, Not Being Depreciated/Amortized	<u>18,662,816</u>	<u>113,727,560</u>	<u>(5,196,492)</u>	<u>127,193,884</u>
Capital Assets, Being Depreciated/Amortized:				
Computer Hardware	21,912,954	466,585	(47,769)	22,331,770
Software	338,303,179	17,020,530	-	355,323,709
Total Capital Assets, Being Depreciated/Amortized	<u>360,216,133</u>	<u>17,487,115</u>	<u>(47,769)</u>	<u>377,655,479</u>
Less:				
Accumulated Depreciation/Amortization:				
Computer Hardware	18,690,005	1,400,608	(47,769)	20,042,844
Software	262,371,671	30,737,803	-	293,109,474
Total Accumulated Depreciation/Amortization	<u>281,061,676</u>	<u>32,138,411</u>	<u>(47,769)</u>	<u>313,152,318</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>79,154,457</u>	<u>(14,651,296)</u>	<u>-</u>	<u>64,503,161</u>
Total Capital Assets (Net)	<u>\$ 97,817,273</u>	<u>\$ 99,076,264</u>	<u>\$ (5,196,492)</u>	<u>\$ 191,697,045</u>

Depreciation/Amortization expense amounted to \$32,138,411 for the year ended June 30, 2020, and is reflected in the Statement of Activities in the Public Assistance function.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
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**NOTE 5 - NON-CURRENT LIABILITIES**

The following is a summary of the changes in non-current liabilities during the year:

	Capital Lease Obligations
Balance at July 1, 2019	\$ 37,067
Additions	49,106
Reductions	(8,535)
Balance at June 30, 2020	<u>\$ 77,638</u>
Due within one year	\$ 14,798
Due in more than one year	62,840
Total	<u>\$ 77,638</u>

Capital lease obligations

The Authority has entered into capital lease obligations for computer hardware. The following is a schedule of the future minimum lease payments under these capital leases as of June 30, 2020:

<u>Year ended June 30,</u>	
2021	\$ 23,285
2022	23,285
2023	23,285
2024	21,584
2025	<u>8,403</u>
Total minimum obligations	99,842
Less amounts representing interest	<u>(22,204)</u>
Present value of minimum obligations	<u>\$ 77,638</u>

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**NOTE 6 – RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

There were eight San Bernardino County employees (Contractors) working on behalf of the Authority. These contractors are under the administrative supervision of the San Bernardino County Assistant Executive Officer (AEO) for Human Services. However, for daily operational purposes, these contractors report to and receive their annual performance reviews by the Authority's Chairperson. As of June 30, 2020, the positions of San Bernardino County AEO and Authority Chairperson were held by two individuals.

The County of San Bernardino (a member agency) provides accounting services to the Authority on a cost reimbursement basis. Total amounts paid and due the County for fiscal year 2019-20 accounting services were \$295,765 and \$30,992, respectively.

**NOTE 7 – COMMITMENTS, CONTINGENCIES, AND TRANSFER OF OPERATIONS**

**Grants**

The Authority recognizes as revenue grant monies received as reimbursement for costs incurred. Although the Authority's grant programs are being audited through June 30, 2020, in accordance with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects no such amounts.

**Transfer of Operations**

On July 29, 2011, the State of California (State) issued a letter to federal agencies, the United States Department of Agriculture Food and Nutrition Service (FNS) and the Centers for Medicare and Medicaid Services (CMS), regarding the State's strategy to consolidate the Statewide Automated Welfare Systems (SAWS), which was approved by the federal agencies on April 5, 2012. Accordingly, the State Legislature enacted Chapter 13 of 2011-2012 Assembly Bill No. 16, Blumenfeld, requiring the 39 counties of SAWS Consortium IV (C-IV) to migrate to a system jointly designed by the 39 C-IV counties and Los Angeles County under the LRS contract, and result in the formation of a new consortium composed of the 40 counties.

Effective September 1, 2017, the California Automated Consortium Eligibility System (CalACES) Consortium, a California Joint Powers Authority (JPA) was formed to represent the 40 counties, which replaced both the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting System (LRS) and the C-IV consortia. As a single legal entity separate from its members, the CalACES JPA governed and managed both the LRS and

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**NOTE 7 – COMMITMENTS, CONTINGENCIES, AND TRANSFER OF OPERATIONS,  
(CONTINUED)**

C-IV projects and operations. The original plan to migrate the 39 C-IV counties to LRS was put on hold at the direction of federal sponsors. The federal sponsors directed California to conduct a technical alternatives and cost benefits analysis for the consolidation of the three (3) existing SAWS systems (C-IV, LRS, and CalWIN) into a single statewide system that would support all 58 counties. Based on the results of this analysis, CMS and FNS directed California to move to a single statewide automated welfare system by 2023. On June 28, 2019, the 18 counties (County of Alameda, County of Contra Costa, County of Fresno, County of Orange, County of Placer, County of Sacramento, County of San Diego, County of San Francisco, County of San Luis Obispo, County of San Mateo, County of Santa Barbara, County of Santa Clara, County of Santa Cruz, County of Solano, County of Sonoma, County of Tulare, County of Ventura, and County of Yolo) of the SAWS Welfare Client Data Systems (CalWIN) Consortium joined the 40 CalACES counties in effectuating the California Statewide Automated Welfare System (CalSAWS) Consortium to legally represent all 58 counties as the CalSAWS JPA. Effective July 1, 2019, the CalSAWS JPA governs and manages all SAWS projects and operations that automate the public assistance programs administered by the 58 counties, including C-IV, LRS, CalWIN, and the future CalSAWS. The Authority did not recognize any assets or outstanding obligations as a result of CalWIN joining the JPA. The CalWIN system is fully amortized as of the effective transfer date of July 1, 2019.

In March 2019, the CalSAWS Design, Development, and Implementation (DD&I) Project commenced to modify and expand the LRS platform to become one welfare system that will support all 58 counties by 2023.

**Commitments**

As a single legal entity separate from its members, CalSAWS manages C-IV, LRS, and CalWIN systems. The total future commitment under existing contracts is approximately \$751,386,002. The Authority contracts with a prime development contractor, a prime implementation contractor and a quality assurance contractor for the majority of its expenditures related to maintenance and operations and the development and implementation of system change requests and change orders for C-IV, LRS, and CalWIN systems. The Authority disburses funds to the contractors based upon fixed price deliverables, monthly expenditures, performance reports, equipment, software, facilities and network charges received from the contractors. Payments for services and retentions under the contracts are contingent upon approval and acceptance by the Authority and appropriate state and federal agencies.

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**NOTE 7 – COMMITMENTS, CONTINGENCIES, AND TRANSFER OF OPERATIONS,  
(CONTINUED)**

In addition, payments under the contracts are contingent upon the availability of county, state, and federal funding. If funding to make payments under the terms of the contract is not forthcoming from the state legislature or the federal government for the project, or is not allocated to the Authority by the State Department of Finance for payment in the current or any future fiscal period, then the obligations of the Authority to make payments after the effective date of such non-allocation or non-funding will cease and terminate in accordance with contract termination terms and conditions.

**NOTE 8 – NEW ACCOUNTING PRONOUNCEMENTS**

*GASB 84 – Fiduciary Activities*

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has not determined the effect of this Statement.

*GASB 87 – Leases*

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority has not determined the effect of this Statement.

*GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period*

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority has not determined the effect of this Statement.

*GASB 90 – Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally

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**NOTE 8 – NEW ACCOUNTING PRONOUNCEMENTS, (CONTINUED)**

separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has not determined the effect of this Statement.

*GASB 91 – Conduit Debt Obligations*

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The Authority has not determined the effect of this Statement.

*GASB 92 – Omnibus 2020*

In January 2020, GASB issued Statement No. 92, *Omnibus*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority has not determined the effect of this Statement.

*GASB 93 – Replacement of Interbank Offered Rates*

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement is effective for reporting periods beginning after June 15, 2020. The Authority has not determined the effect of this Statement.

*GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statements is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This Statement is effective for reporting periods beginning after June 15, 2022. The Authority has not determined the effect of this Statement.

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**NOTE 8 – NEW ACCOUNTING PRONOUNCEMENTS, (CONTINUED)**

*GASB 96 – Subscription-Based Information Technology Arrangements*

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The Authority has not determined the effect of this Statement.

*GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. The Authority has not determined the effect of this Statement.



## **Required Supplementary Information**

**CalSAWS Consortium**  
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**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund**  
**(Budgetary Basis) - Unaudited**  
**For the Year Ended June 30, 2020**

	<b>Budget Amounts</b>			<b>Variance with</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Final Budget -</u></b>
				<b><u>Positive</u></b>
				<b><u>(Negative)</u></b>
<b>Revenues</b>				
Intergovernmental	\$ 490,796,026	\$ 507,601,749	\$ 426,213,942	\$ (81,387,807)
<b>Expenditures</b>				
Current:				
Service and supplies	327,660,243	335,330,224	296,055,225	39,274,999
Capital outlay	163,112,247	172,247,989	124,884,073	47,363,916
Debt service, principal and interest	23,536	23,536	15,419	8,117
Total expenditures	490,796,026	507,601,749	420,954,717	86,647,032
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ 5,259,225	\$ 5,259,225

**Budgetary Basis/GAAP Reconciliation**

The budget as reported in the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is reported using the budgetary basis method of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). This method does not recognize receivables, payables, capital lease payments as a reduction of debt service and interest expense, or the capitalization of certain cost related to software development. The budget includes State approved activities for SAWS, member county purchases, administrative costs, and various grant related activities. A reconciliation between the budgetary basis and GAAP basis follows:

	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Difference</u></b>
	<b><u>(Budgetary Basis)</u></b>	<b><u>(GAAP Basis)</u></b>	
<b><u>Intergovernmental revenues</u></b>			
Conversion from budgetary basis to GAAP basis	\$ 426,213,942	\$ 435,108,959	\$ 8,895,017
Conversion from budgetary basis to GAAP basis and reclassification to capital expenditures and debt service			
<b><u>Service and supplies</u></b>	(296,055,225)	(302,120,649)	(6,065,424)
<b><u>Capital outlay</u></b>	(124,884,073)	(128,810,912)	(3,926,839)
<b><u>Debt service</u></b>			
Principal	(9,010)	(8,535)	475
Interest	(6,409)	(6,033)	376
<b><u>Other Financing Sources (Uses)</u></b>			
Capital Leases	-	49,106	49,106
Net change budgetary basis to GAAP basis	\$ 5,259,225	\$ 4,211,936	\$ (1,047,289)

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**Budgets and Budgetary Accounting**

An annual budget must be adopted in accordance with section 2.09 of the Authority's Joint Exercise of Powers Agreement. The Authority's Governing Board satisfied this requirement. The fiscal year 2020 budget was approved by the Authority's Governing Board and is reported using the budgetary basis method of accounting.

Budgetary integration was employed as a management control device during the year for the budgeted fund. The Authority's budget is dependent upon appropriations by the California Health and Human Services Agency's Office of Systems Integration (OSI).

Actual intergovernmental revenue was lower than the final budget due to delays in implementation of policy and changes in state priorities, which resulted in lower expenditures for services and supplies and capital outlays for system design, development, and implementations. In addition, the Authority had lower expenditures for maintenance and operations for the C-IV and CalWIN systems due to limited qualified system changes to CalHEERS application maintenance, and lower production operations due to decommissioning of LRS data center as a result of cloud processing.

# CalSAWS Consortium JPA

**CalSAWS Consortium**  
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