

**CalSAWS
Consortium
JPA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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

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

**For the Fiscal Year Ended
June 30, 2021**

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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, 2021, 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, 2021, 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 21 and 22 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 30, 2022, 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 30, 2022

**CalSAWS Consortium
(A Joint Powers Authority)
Statement of Net Position
June 30, 2021**

	Governmental Activities
ASSETS	
Cash in San Bernardino County Treasurer's Pool	\$ 25,246,990
Due From Other Governments:	
State of California	28,692,623
Member Counties	14,514,096
Prepaid Items	7,782,865
Capital Assets, Not Being Depreciated and Amortized	231,824,645
Capital Assets, Net of Accumulated Depreciation and Amortization	72,486,498
Total Assets	380,547,717
LIABILITIES	
Accounts Payable	46,889,067
Due To Other Governments:	
State of California	16,298,461
San Bernardino County	24,276
Member Counties	5,110,373
Non-Current Liabilities	
Retentions Payable	131,532
Total Liabilities	68,453,709
NET POSITION	
Net Investment in Capital Assets	304,311,143
Unrestricted	7,782,865
Total Net Position	\$ 312,094,008

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, 2021**

		<u>PROGRAM REVENUES</u>	<u>NET (EXPENSE)/REVENUE AND CHANGES IN NET POSITION</u>
<u>FUNCTION/PROGRAM</u>	<u>Expenses</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>
Governmental Activities:			
Public Assistance	\$ 324,954,058	\$ 393,651,118	\$ 68,697,060
Interest on Long Term Debt	64,078	-	(64,078)
Total Governmental Activities	<u>\$ 325,018,136</u>	<u>\$ 393,651,118</u>	<u>68,632,982</u>
 GENERAL REVENUES:			
Local Revenues - Consortium Member Counties			<u>36,179,932</u>
Total General Revenues			<u>36,179,932</u>
Change in Net Position			104,812,914
Net Position, Beginning			<u>207,281,094</u>
Net Position, Ending			<u>\$ 312,094,008</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, 2021**

ASSETS

Cash in San Bernardino County Treasurer's Pool	\$ 25,246,990
Due From Other Governments:	
State of California	28,692,623
Member Counties	14,514,096
Prepaid Items	7,782,865
Total Assets	<u>\$ 76,236,574</u>

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

<u>Liabilities</u>	
Accounts Payable	\$ 46,889,067
Due To Other Governments:	
State of California	16,298,461
San Bernardino County	24,276
Member Counties	5,110,373
Total Liabilities	<u>68,322,177</u>

DEFERRED INFLOWS OF RESOURCES

<u>Fund Balance</u>	
Nonspendable for Prepaid Items	<u>7,782,865</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 76,236,574</u>

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

Fund Balance - Governmental Fund	\$ 7,782,865
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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.	131,532
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Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	304,311,143
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Retentions payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(131,532)</u>
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Net Position of Governmental Activities	<u>\$ 312,094,008</u>
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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, 2021

REVENUES

Intergovernmental - Federal	\$ 260,027,208
Intergovernmental - State	133,492,378
Intergovernmental - Consortium Member Counties	36,179,932
Total Revenues	429,699,518

EXPENDITURES

Current:	
Public Assistance	308,682,680
Debt Service:	
Principal	958,894
Interest	64,078
Capital Outlay	128,753,944
Total Expenditures	438,459,596

Excess (Deficiency) of Revenues over (under) Expenditures	(8,760,078)
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OTHER FINANCING SOURCES (USES)

Capital Leases	881,256
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Change in Fund Balance	(7,878,822)
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FUND BALANCE

Fund Balance, Beginning	15,661,687
Fund Balance, Ending	\$ 7,782,865

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

Change in Fund Balance - Governmental Fund	\$ (7,878,822)
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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.

	112,614,098
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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.

	77,638
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Change in net position of governmental activities	\$ 104,812,914
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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, 2021

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, 2021**

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, 2021**

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 San Bernardino County Treasurer’s Pool

Pursuant to the Joint Exercise of Powers Agreement, the Treasurer of San Bernardino County (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 migrated into LRS in 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, 2021**

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. \$10,483 of the prepaid item balance is for insurance and the remaining \$7,772,382 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. \$28,692,623 and \$14,514,096 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, 2021

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

The Authority reports accounts payable of \$46,889,067 and \$21,433,110 due to other governments at June 30, 2021. These liabilities relate to the unpaid expenditures incurred as of June 30, 2021, 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 \$131,532 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 2021, the Authority adopted the following Governmental Accounting Standards Board (GASB) Statement(s):

- i) GASB 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 were postponed by GASB 95 and are effective for the fiscal year ending June 30, 2021. The Authority has determined this Statement has no impact on the financial statements.
- ii) GASB Statement No. 90, Majority Equity Interest – 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 separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement were postponed by GASB 95 and are effective for the fiscal year ending June 30, 2021. The Authority has implemented this Statement as of July 1, 2020. The Authority has determined this Statement has no impact on the financial statements.
- iii) GASB 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

**CalSAWS Consortium
(A Joint Powers Authority)
Notes to the Financial Statements
June 30, 2021**

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

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 requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for the fiscal year ending June 30, 2022. The Authority has implemented all parts of this Statement earlier as of July 1, 2020, which did not have an impact on the financial statements.

- iv) *GASB Statement No. 98 – The Annual Comprehensive Financial Report.* This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The Authority has early implemented this Statement in the fiscal year ending June 30, 2021, and the changes have been reflected in the statements.

(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, 2021**

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:

	<u>Total Governmental Funds (Page 5)</u>	<u>Long-Term Assets and Liabilities (1)</u>	<u>Statement of Net Position Total (Page 3)</u>
ASSETS			
Cash in San Bernardino County Treasurer's Pool	\$ 25,246,990	\$ -	\$ 25,246,990
Due From Other Governments:			
State of California	28,692,623	-	28,692,623
Member Counties	14,514,096	-	14,514,096
Prepaid Items	7,782,865	-	7,782,865
Capital Assets, Not Being Depreciated and Amortized	-	231,824,645	231,824,645
Capital Assets, Net of Accumulated Depreciation and Amortization	-	72,486,498	72,486,498
	<u>76,236,574</u>	<u>304,311,143</u>	<u>380,547,717</u>
Total Assets			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE/NET POSITION			
Liabilities:			
Accounts Payable	\$ 46,889,067	\$ -	\$ 46,889,067
Due To Other Governments:			
State of California	16,298,461	-	16,298,461
San Bernardino County	24,276	-	24,276
Member Counties	5,110,373	-	5,110,373
Non-Current Liabilities			
Retentions Payable	-	131,532	131,532
	<u>68,322,177</u>	<u>131,532</u>	<u>68,453,709</u>
Total Liabilities			
Deferred Inflows of Resources - Unavailable Revenues	<u>131,532</u>	<u>(131,532)</u>	<u>-</u>
Fund Balance/Net Position	<u>7,782,865</u>	<u>304,311,143</u>	<u>312,094,008</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	<u>\$ 76,236,574</u>	<u>\$ 304,311,143</u>	<u>\$ 380,547,717</u>

**CalSAWS Consortium
(A Joint Powers Authority)
Notes to the Financial Statements
June 30, 2021**

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	\$ 23,319,568	
Software	378,411,750	
Internally Developed Software In Progress	231,824,645	
Accumulated Depreciation and Amortization	<u>(329,244,820)</u>	
		304,311,143

(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		131,532

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

Retentions Payable	<u>(131,532)</u>	<u>(131,532)</u>
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Total		<u>\$ 304,311,143</u>
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(1) Expenditures for general capital assets and other related adjustments, including current year depreciation/amortization.

Computer Hardware	\$ 997,775	
Software	10,694,618	
Internally Developed Software In Progress	117,061,552	
Depreciation and Amortization	(16,102,479)	
Internally Developed Software In Progress Expensed	<u>(37,368)</u>	
Total		<u>\$ 112,614,098</u>

(1) GASB 34 Conversion Entries

**CalSAWS Consortium
(A Joint Powers Authority)
Notes to the Financial Statements
June 30, 2021**

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, 2021, the Authority's cash and investments held in the County Treasurer's pool totaled \$25,246,990.

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 Annual Comprehensive Financial Report (ACFR). Information regarding the ACFR 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, 2021

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	\$ 127,193,884	\$ 117,061,552	\$ (12,430,791)	\$ 231,824,645
Total Capital Assets, Not Being Depreciated/Amortized	<u>127,193,884</u>	<u>117,061,552</u>	<u>(12,430,791)</u>	<u>231,824,645</u>
Capital Assets, Being Depreciated/Amortized:				
Computer Hardware	22,331,770	997,775	(9,977)	23,319,568
Software	<u>355,323,709</u>	<u>23,088,041</u>	<u>-</u>	<u>378,411,750</u>
Total Capital Assets, Being Depreciated/Amortized	<u>377,655,479</u>	<u>24,085,816</u>	<u>(9,977)</u>	<u>401,731,318</u>
Less:				
Accumulated Depreciation/Amortization:				
Computer Hardware	20,042,844	1,152,072	(9,977)	21,184,939
Software	<u>293,109,474</u>	<u>14,950,407</u>	<u>-</u>	<u>308,059,881</u>
Total Accumulated Depreciation/Amortization	<u>313,152,318</u>	<u>16,102,479</u>	<u>(9,977)</u>	<u>329,244,820</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>64,503,161</u>	<u>7,983,337</u>	<u>-</u>	<u>72,486,498</u>
Total Capital Assets (Net)	<u>\$ 191,697,045</u>	<u>\$ 125,044,889</u>	<u>\$ (12,430,791)</u>	<u>\$ 304,311,143</u>

Depreciation/Amortization expense amounted to \$16,102,479 for the year ended June 30, 2021, and is reflected in the Statement of Activities in the Public Assistance function.

**CalSAWS Consortium
(A Joint Powers Authority)
Notes to the Financial Statements
June 30, 2021**

NOTE 5 - NON-CURRENT LIABILITIES

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

	Capital Lease <u>Obligations</u>
Balance at July 1, 2020	\$ 77,638
Additions	881,256
Reductions	<u>(958,894)</u>
Balance at June 30, 2021	<u><u>\$ -</u></u>

**CalSAWS Consortium
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June 30, 2021**

NOTE 6 – RELATED PARTIES AND RELATED PARTY TRANSACTIONS

There were seven 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, 2021, the positions of San Bernardino County AEO and Authority Chairperson were held by two individuals.

San Bernardino County (a member agency) provides accounting services to the Authority on a cost reimbursement basis. Total amounts paid and due the County for fiscal year 2020-21 accounting services were \$322,947 and \$24,276, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

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.

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 \$677,941,894. 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.

**CalSAWS Consortium
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Notes to the Financial Statements
June 30, 2021**

NOTE 7 – COMMITMENTS AND CONTINGENCIES, (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 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 were postponed by GASB 95 and are effective for the fiscal year ending June 30, 2022. 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 were postponed by GASB 95 and are effective for the fiscal year ending June 30, 2022. 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 were postponed by GASB 95 and are effective for the fiscal year ending June 30, 2023. The Authority has not determined the effect of this Statement.

CalSAWS Consortium
(A Joint Powers Authority)
Notes to the Financial Statements
June 30, 2021

NOTE 8 – NEW ACCOUNTING PRONOUNCEMENTS, (CONTINUED)

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 were postponed by GASB 95 and are effective for the fiscal year ending June 30, 2022. 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. The requirements of this Statement were postponed by GASB 95 and are effective for the fiscal year ending June 30, 2022. 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). The requirements of this Statement are effective for the fiscal year ending June 30, 2023. The Authority has not determined the effect of this Statement.

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). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statements are effective for the fiscal year ending June 30, 2023. The Authority has not determined the effect of this Statement.

Required Supplementary Information

CalSAWS Consortium
(A Joint Powers Authority)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund
(Budgetary Basis) - Unaudited
For the Year Ended June 30, 2021

	Budget Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 490,708,233	\$ 452,658,097	\$ 417,872,644	\$ (34,785,453)
Expenditures				
Current:				
Service and supplies	326,861,785	324,577,592	281,297,504	43,280,088
Capital outlay	163,815,824	127,328,167	131,786,629	(4,458,462)
Debt service, principal and interest	30,624	752,338	1,022,972	(270,634)
Total expenditures	<u>490,708,233</u>	<u>452,658,097</u>	<u>414,107,105</u>	<u>38,550,992</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,765,539</u>	<u>\$ 3,765,539</u>

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:

	<u>Actual</u>	<u>Actual</u>	<u>Difference</u>
	<u>(Budgetary Basis)</u>	<u>(GAAP Basis)</u>	
<u>Intergovernmental revenues</u>			
Conversion from budgetary basis to GAAP basis	\$ 417,872,644	\$ 429,699,518	\$ 11,826,874
Conversion from budgetary basis to GAAP basis and reclassification to capital expenditures and debt service			
<u>Service and supplies</u>	(281,297,504)	(308,682,680)	(27,385,176)
<u>Capital outlay</u>	(131,786,629)	(128,753,944)	3,032,685
<u>Debt service</u>			
Principal	(958,894)	(958,894)	-
Interest	(64,078)	(64,078)	-
<u>Other Financing Sources (Uses)</u>			
Capital Leases	-	881,256	881,256
Net change budgetary basis to GAAP basis	<u>\$ 3,765,539</u>	<u>\$ (7,878,822)</u>	<u>\$ (11,644,361)</u>

**CalSAWS Consortium
(A Joint Powers Authority)
Notes to the Required Supplementary Information
June 30, 2021**

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 2021 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 savings in application maintenance of the CalHEERS Interface, which resulted in lower reimbursement claims to OSI for expenditures of services and supplies.

CalSAWS Consortium JPA

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