

# **CalSAWS Consortium JPA**

## **FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2024**

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

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

**For the Fiscal Year Ended  
June 30, 2024**

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities and general fund of the CalSAWS Consortium JPA (Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Authority, as of June 30, 2024, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to

the required supplementary information in accordance with GAAS, 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 27, 2025, 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.

A handwritten signature in cursive script that reads "Erik Sully LLP".

Rancho Cucamonga, California  
March 27, 2025

**CalSAWS Consortium**  
**(A Joint Powers Authority)**  
**Statement of Net Position**  
**June 30, 2024**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash in San Bernardino County Treasurer's Pool	\$ 5,022,527
Due From Other Governments:	
State of California	30,169,199
Member Counties	10,204,484
Prepaid Items	6,620,787
Capital Assets, Not Being Depreciated and Amortized	17,303,462
Capital Assets, Net of Accumulated Depreciation and Amortization	<u>570,840,264</u>
Total Assets	<u>640,160,723</u>
<b>LIABILITIES</b>	
Accounts Payable	30,893,664
Due To Other Governments:	
State of California	8,774,494
San Bernardino County	18,125
Member Counties	5,709,927
Non-Current Liabilities	
Due Within One Year:	
Right-to-Use Subscription Liability	29,832,769
Due In More Than One Year:	
Right-to-Use Subscription Liability	<u>105,291,711</u>
Total Liabilities	<u>180,520,690</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	453,019,246
Unrestricted	<u>6,620,787</u>
Total Net Position	<u><u>\$ 459,640,033</u></u>

*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, 2024**

		<b>PROGRAM REVENUES</b>	<b>NET (EXPENSE)/REVENUE AND CHANGES IN NET POSITION</b>
<u>FUNCTION/PROGRAM</u>	<u>Expenses</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Public Assistance	\$ 378,292,965	\$ 398,600,980	\$ 20,308,015
Interest on Long Term Debt	6,361,750	-	(6,361,750)
Total Governmental Activities	<u>\$ 384,654,715</u>	<u>\$ 398,600,980</u>	<u>13,946,265</u>
 <b>GENERAL REVENUES:</b>			
Local Revenues - Consortium Member Counties			<u>21,793,271</u>
Total General Revenues			<u>21,793,271</u>
Change in Net Position			35,739,536
Net Position, Beginning			<u>423,900,497</u>
Net Position, Ending			<u>\$ 459,640,033</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, 2024**

**ASSETS**

Cash in San Bernardino County Treasurer's Pool	\$ 5,022,527
Due From Other Governments:	
State of California	30,169,199
Member Counties	10,204,484
Prepaid Items	6,620,787
Total Assets	<u>\$ 52,016,997</u>

**LIABILITIES AND FUND BALANCE**

Liabilities

Accounts Payable	\$ 30,893,664
Due To Other Governments:	
State of California	8,774,494
San Bernardino County	18,125
Member Counties	5,709,927
Total Liabilities	<u>45,396,210</u>

Fund Balance

Nonspendable for Prepaid Items	<u>6,620,787</u>
Total Liabilities and Fund Balance	<u>\$ 52,016,997</u>

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

Fund Balance - Governmental Fund	\$ 6,620,787
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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.	588,143,726
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Long-term liabilities related to Right-to-Use Subscription Assets are not due and payable in the current period and, therefore, are not reported in the funds.	(135,124,480)
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Net Position of Governmental Activities	<u>\$ 459,640,033</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, 2024**

**REVENUES**

Intergovernmental - Federal	\$ 268,642,030
Intergovernmental - State	129,958,950
Intergovernmental - Consortium Member Counties	21,793,271
Total Revenues	<u>420,394,251</u>

**EXPENDITURES**

Current:	
Public Assistance	338,461,189
Debt Service:	
Principal	23,739,917
Interest	6,361,750
Capital Outlay	209,461,772
Total Expenditures	<u>578,024,628</u>

Excess (Deficiency) of Revenues over (under) Expenditures	<u>(157,630,377)</u>
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**OTHER FINANCING SOURCES (USES)**

Subscription Financing	<u>158,864,397</u>
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Net Change in Fund Balance	1,234,020
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**FUND BALANCE**

Fund Balance, Beginning	5,386,767
Fund Balance, Ending	<u>\$ 6,620,787</u>

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

Change in Fund Balance - Governmental Fund	\$ 1,234,020
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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.

169,629,996

Debt service payments for principal payments are reported as expenditures in the governmental funds, but are not reported as expenditures in the statement of activities.

    Subscription principal payments

23,739,917

The issuance of long-term debt provides current financial resources to governmental funds, but are not reported as revenues in the statement of activities.

    Subscription proceeds

(158,864,397)

Change in Net Position of Governmental Activities	<u>\$ 35,739,536</u>
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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, 2024**

**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 to change its 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, 2024**

**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, 2024**

**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, financed purchase obligations, lease liabilities, and subscription liabilities 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, and right-to-use subscriptions, 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 right-to-use subscriptions, and \$40,000 for purchased and internally generated software with an estimated useful life in excess of one year. Hardware and software assets are recorded at historical cost or estimated historical cost if purchased or developed. Right-to-use subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the subscription-based information technology arrangement (SBITA) vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. 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 – CalWIN	End of October 2023
Internally Generated System – LRS	End of June 2042
Right-to-Use Subscriptions	End of August 2028

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2024**

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

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.

**(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 available 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. \$29,209 of the prepaid item balance is for insurance and the remaining \$6,591,578 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. \$30,169,199 and \$10,204,484 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, 2024**

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

The Authority reports accounts payable of \$30,893,664 and \$14,502,546 due to other governments at June 30, 2024. These liabilities relate to the unpaid expenditures incurred as of June 30, 2024, 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 assets that is applicable to a future period and deferred inflows of resources are an acquisition of net assets 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 does not have any deferred outflows or inflows of resources.

**(j) Implemented Accounting Pronouncements**

During fiscal year 2024, the Authority adopted the following Governmental Accounting Standards Board (GASB) Statement(s):

- i) *GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the fiscal year ending June 30, 2024. The adoption of this statement did not have a material impact on the financial 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.

**(l) Subscription Liabilities**

Subscription liabilities represent CalSAWS's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by CalSAWS.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2024**

**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 6 )	Long-Term Assets and Liabilities (1)	Statement of Net Position Total (Page 4)
<b>ASSETS</b>			
Cash in San Bernardino County Treasurer's Pool	\$ 5,022,527	\$ -	\$ 5,022,527
Due From Other Governments:			
State of California	30,169,199	-	30,169,199
Member Counties	10,204,484	-	10,204,484
Prepaid Items	6,620,787	-	6,620,787
Capital Assets, Not Being Depreciated and Amortized	-	17,303,462	17,303,462
Capital Assets, Net of Accumulated Depreciation and Amortization	-	570,840,264	570,840,264
<b>Total Assets</b>	<u>52,016,997</u>	<u>588,143,726</u>	<u>640,160,723</u>
<b>LIABILITIES AND FUND BALANCE/NET POSITION</b>			
Liabilities:			
Accounts Payable	\$ 30,893,664	\$ -	\$ 30,893,664
Due To Other Governments:			
State of California	8,774,494	-	8,774,494
San Bernardino County	18,125	-	18,125
Member Counties	5,709,927	-	5,709,927
Non-Current Liabilities			
Due Within One Year:			
Right-to-Use Subscription Liability	-	29,832,769	29,832,769
Due In More Than One Year:			
Right-to-Use Subscription Liability	-	105,291,711	105,291,711
<b>Total Liabilities</b>	<u>45,396,210</u>	<u>135,124,480</u>	<u>180,520,690</u>
 Fund Balance/Net Position	 <u>6,620,787</u>	 <u>453,019,246</u>	 <u>459,640,033</u>
 <b>Total Liabilities and Fund Balance/Net Position</b>	 <u><u>\$ 52,016,997</u></u>	 <u><u>\$ 588,143,726</u></u>	 <u><u>\$ 640,160,723</u></u>



**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2024**

**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	\$ 5,870,523	
Right-to-Use Subscription Assets	158,864,397	
Software	485,013,867	
Internally Developed Software In Progress	17,303,462	
Accumulated Depreciation and Amortization	<u>(78,908,523)</u>	
		588,143,726

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

Right-to-Use Subscription Liability	<u>(135,124,480)</u>	<u>(135,124,480)</u>
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Total		<u>\$ 453,019,246</u>
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(1) Expenditures for general capital assets and other related adjustments, including current year depreciation/amortization.

Computer Hardware	\$ 112,248	
Right-to-Use Subscription Assets	158,864,397	
Software	40,093,028	
Internally Developed Software In Progress	10,392,099	
Depreciation and Amortization	(39,717,111)	
Internally Developed Software In Progress Expensed	(27,175)	
Loss On Disposal	<u>(87,490)</u>	
Total		<u>\$ 169,629,996</u>

(1) GASB 34 Conversion Entries

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
June 30, 2024**

**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, 2024, the Authority's cash and investments held in the County Treasurer's pool totaled \$5,022,527.

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.sbcountyatc.gov> 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, 2024**

**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	\$ 330,084,027	\$ 10,392,099	\$ (323,172,664)	\$ 17,303,462
Total Capital Assets, Not Being Depreciated/Amortized	330,084,027	10,392,099	(323,172,664)	17,303,462
Capital Assets, Being Depreciated/Amortized:				
Computer Hardware	6,529,578	112,248	(771,303)	5,870,523
Right-to-Use Subscription Assets	-	158,864,397	-	158,864,397
Software	121,775,350	363,238,517	-	485,013,867
Total Capital Assets, Being Depreciated/Amortized	128,304,928	522,215,162	(771,303)	649,748,787
Less:				
Accumulated Depreciation/Amortization:				
Computer Hardware	3,874,275	789,433	(683,813)	3,979,895
Right-to-Use Subscription Assets	-	26,477,400	-	26,477,400
Software	36,000,950	12,450,278	-	48,451,228
Total Accumulated Depreciation/Amortization	39,875,225	39,717,111	(683,813)	78,908,523
Total Capital Assets, Being Depreciated/Amortized, Net	88,429,703	482,498,051	(87,490)	570,840,264
Total Capital Assets (Net)	\$ 418,513,730	\$ 492,890,150	\$ (323,260,154)	\$ 588,143,726

Depreciation/Amortization expense amounted to \$39,717,111 for the year ended June 30, 2024, and is reflected in the Statement of Activities in the Public Assistance function.

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**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 5 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA)**

The Consortium has entered into a long-term, non cancellable subscription-based information technology arrangement (SBITA) for operational purposes. The SBITA includes services related to data storage, cloud, converged and data protection. The SBITA expires on August 31, 2028, with an estimated incremental borrowing rate of 5.17%. The SBITA provides for minimum annual subscription payments of \$36,122,000 from September 1, 2023 through August 31, 2028.

The SBITA obligation consists of the following for the fiscal year ended June 30, 2024:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Subscription IT Liabilities	\$ -	\$ 158,864,397	\$ 23,739,917	\$ 135,124,480	\$ 29,832,769
Total	\$ -	\$ 158,864,397	\$ 23,739,917	\$ 135,124,480	\$ 29,832,769

Remaining principal and interest payments under the SBITA are as follows:

	Governmental Activities	
Years ending June 30,	Principal	Interest
2025	\$ 29,832,769	\$ 6,289,231
2026	31,412,198	4,709,802
2027	33,075,246	3,046,754
2028	34,823,355	1,298,645
2029	5,980,912	39,422
	<u>\$ 135,124,480</u>	<u>\$ 15,383,854</u>

Right-to-use assets acquired through the SBITA are shown below:

	Governmental Activities
Subscription Assets	\$ 158,864,397
Less: accumulated amortization	(26,477,400)
	<u>\$ 132,386,997</u>

**CalSAWS Consortium  
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Notes to the Financial Statements  
June 30, 2024**

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

There were nine 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, 2024, 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 to the County for fiscal year 2023-24 accounting services were \$241,230 and \$18,125, 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, 2024, 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 the LEADER Replacement System (LRS). The total future commitment under existing contracts is approximately \$269,271,880. 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 LRS. 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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**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 101 – Compensated Absences*

In June 2022, GASB issued Statement No. 101 – Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the fiscal year ending June 30, 2025. The Authority has not determined the effect of this Statement.

*GASB 102 – Certain Risk Disclosures*

In December 2023, GASB Statement No. 102 – Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. That objective is achieved by requiring governments to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The statement also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for the fiscal year ending June 30, 2025. The Authority has not determined the effect of this Statement.

*GASB 103 – Financial Reporting Model Improvements*

In April 2024, GASB issued Statement No. 103 – Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal year ending June 30, 2026. The Authority has not determined the effect of this Statement.

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Financial Statements  
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**NOTE 8 – NEW ACCOUNTING PRONOUNCEMENTS, (CONTINUED)**

*GASB 104 – Disclosure of Certain Capital Assets*

In September 2024, GASB issued Statement No. 104 – Disclosure of Certain Capital Assets. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. The requirements of this Statement are effective for fiscal year ending June 30, 2026. The Authority has not determined the effect of this Statement.

**NOTE 9 – SUBSEQUENT EVENT**

On September 27, 2024, CalSAWS's Board of Directors approved a contract with Gainwell Technologies, LLC for infrastructure services, which includes goods and services required for ongoing monitoring, upgrading and maintaining the CalSAWS information technology infrastructure. The base term includes a four-month transition-in period plus six years at a combined value of \$606,678,817. In addition, the agreement may be extended for up to four one-year increments at the discretion of the Board of Directors, not to exceed \$375,707,497 over the combined four years. The maximum value of this contract for the transition-in, initial maintenance and operations phase, and the four additional optional yearly extended terms is \$982,384,314.

## **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, 2024**

	<b>Budget Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
<b>Revenues</b>				
Intergovernmental	\$ 542,187,171	\$ 437,444,330	\$ 422,047,960	\$ (15,396,370)
<b>Expenditures</b>				
Current:				
Service and supplies	374,056,784	356,933,535	346,762,286	10,171,249
Capital outlay	168,130,387	80,510,795	50,597,375	29,913,420
Debt service, principal and interest	-	-	30,101,667	(30,101,667)
Total expenditures	542,187,171	437,444,330	427,461,328	9,983,002
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ (5,413,368)	\$ (5,413,368)

**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 (Budgetary Basis)</u></b>	<b><u>Actual (GAAP Basis)</u></b>	<b><u>Difference</u></b>
<b><u>Intergovernmental revenues</u></b>			
Conversion from budgetary basis to GAAP basis	\$ 422,047,960	\$ 420,394,251	\$ (1,653,709)
Conversion from budgetary basis to GAAP basis and reclassification to capital expenditures and debt service			
<b><u>Service and supplies</u></b>	(346,762,286)	(338,461,189)	8,301,097
<b><u>Debt service</u></b>			
Principal	(23,739,917)	(23,739,917)	-
Interest	(6,361,750)	(6,361,750)	-
<b><u>Capital outlay</u></b>	(50,597,375)	(209,461,772)	(158,864,397)
<b><u>Other Financing Sources (Uses)</u></b>			
Right-to-Use Subscription Assets	-	158,864,397	158,864,397
Net change budgetary basis to GAAP basis	\$ (5,413,368)	\$ 1,234,020	\$ 6,647,388

**CalSAWS Consortium  
(A Joint Powers Authority)  
Notes to the Required Supplementary Information  
June 30, 2024**

**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 2024 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 legal level of budgetary control is maintained at the approved funding level appropriated by the California Health and Human Services Agency (CalHHS).

The Authority's actual expenditures were lower than the final budget due to savings in staff, travel, and application development, which resulted in lower reimbursement claims filed with CalHHS's Office of Technology and Solutions Integration during fiscal year 2024. Actual debt service was higher than the final budget due to the classification of subscription-based information technology arrangement payments as principal and interest instead of services and supplies.

# CalSAWS Consortium JPA

**CalSAWS Consortium**  
11971 Foundation Place  
Gold River, CA 95670