



California SAWS
Consortium IV



FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

**CALIFORNIA STATEWIDE AUTOMATED
WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)**

**Financial Statements
and
Required Supplementary Information
with
Independent Auditors' Report**

**For the Fiscal Year Ended
June 30, 2013**

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
For the Year Ended June 30, 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the California Statewide Automated Welfare System Consortium IV
Rancho Cordova, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the California Statewide Automated Welfare System Consortium IV (the "Authority"), as of and for the year ended June 30, 2013, 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.

Auditors' 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 the general fund of the Authority, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison Schedules on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis for the Authority 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 and 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 omitted information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
March 28, 2014

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
Statement of Net Position
June 30, 2013

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash in County of San Bernardino Treasurer's Pool | \$ 10,983,291 |
| Due From Other Governments | |
| State of California | 4,609,080 |
| Member Counties | 7,530,354 |
| Royalty Receivable | 200,000 |
| Prepaid Items | 9,272,794 |
| Capital Assets, Net of Accumulated Depreciation and Amortization | 108,228,945 |
| Total Assets | 140,824,464 |
| LIABILITIES | |
| Accounts Payable | 18,079,620 |
| Due To Other Governments: | |
| State of California | 3,102,004 |
| County of San Bernardino | 39,441 |
| Member Counties | 1,093,384 |
| Matured Leases and Interest Payable | 359,851 |
| Unearned Revenue | 245,132 |
| Non-current Liabilities | |
| Due Within One Year | |
| Capital Leases | 2,901,301 |
| State of California | 203,293 |
| Due In More Than One Year | |
| Capital Leases | 4,125,303 |
| Total Liabilities | 30,149,329 |
| NET POSITION | |
| Net Investment in Capital Assets | 101,402,341 |
| Unrestricted | 9,272,794 |
| Total Net Position | \$ 110,675,135 |

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

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
Statement of Activities
For the Fiscal Year Ended June 30, 2013

| | | <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 | \$ 103,040,834 | \$ 86,350,986 | \$ (16,689,848) |
| Interest on Long Term Debt | <u>729,336</u> | <u>-</u> | <u>(729,336)</u> |
| Total Governmental Activities | <u>\$ 103,770,170</u> | <u>\$ 86,350,986</u> | <u>(17,419,184)</u> |
| GENERAL REVENUES: | | | |
| Local Revenues - Consortium Member Counties | | | <u>26,599,523</u> |
| Total General Revenues | | | <u>26,599,523</u> |
| Change in Net Position | | | 9,180,339 |
| Net Position, Beginning as Restated | | | 101,494,796 |
| Net Position, Ending | | | <u>\$ 110,675,135</u> |

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

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
Balance Sheet - Governmental Fund
General Fund
June 30, 2013

ASSETS

| | |
|---|----------------------|
| Cash in County of San Bernardino Treasurer's Pool | \$ 10,983,291 |
| Due From Other Governments: | |
| State of California | 4,609,080 |
| Member Counties | 7,327,061 |
| Royalty Receivable | 200,000 |
| Prepaid Items | 9,272,794 |
| Total Assets | <u>\$ 32,392,226</u> |

LIABILITIES and FUND BALANCE

Liabilities

| | |
|---------------------------|-------------------|
| Accounts Payables | \$ 18,079,620 |
| Due To Other Governments: | |
| State of California | 3,102,004 |
| County of San Bernardino | 39,441 |
| Member Counties | 1,093,384 |
| Matured Leases Payable | 284,711 |
| Matured Interest Payable | 75,140 |
| Deferred Revenue | 200,000 |
| Unearned Revenue | 245,132 |
| Total Liabilities | <u>23,119,432</u> |

Fund Balance

| | |
|------------------------------------|----------------------|
| Nonspendable | <u>9,272,794</u> |
| Total Liabilities and Fund Balance | <u>\$ 32,392,226</u> |

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

| | |
|----------------------------------|--------------|
| Fund Balance - Governmental Fund | \$ 9,272,794 |
|----------------------------------|--------------|

| | |
|--|---------|
| Receivable includes 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. | 403,293 |
|--|---------|

| | |
|--|-------------|
| Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 108,228,945 |
|--|-------------|

| | |
|---|--------------------|
| Long-term liabilities including capital leases and advances due to the State of California are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(7,229,897)</u> |
|---|--------------------|

| | |
|---|-----------------------|
| Net Position of Governmental Activities | <u>\$ 110,675,135</u> |
|---|-----------------------|

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

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund
General Fund
For the Fiscal Year Ended June 30, 2013

REVENUES

| | |
|--|---------------|
| Intergovernmental - Federal | \$ 55,391,780 |
| Intergovernmental - State and Local Grants | 57,420,298 |
| Total Revenues | 112,812,078 |

EXPENDITURES

| | |
|--------------------|-------------|
| Current: | |
| Public Assistance | 87,859,247 |
| Debt Service: | |
| Principal | 3,090,251 |
| Interest | 729,336 |
| Capital Outlay | 24,027,975 |
| Total Expenditures | 115,706,809 |

Excess (Deficiency) of Revenues over (under) Expenditures (2,894,731)

OTHER FINANCING SOURCES (USES):

Capital Lease Agreements 3,133,856

Change in Fund Balance 239,125

FUND BALANCE

| | |
|-------------------------------------|--------------|
| Fund Balance, Beginning as Restated | 9,033,669 |
| Fund Balance, Ending | \$ 9,272,794 |

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

Change in Fund Balance - Governmental Fund \$ 239,125

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 138,431

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 is the capital outlay amount that exceeds depreciation, amortization, and loss on disposal of capital assets, resulting in a positive number. 8,784,819

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. 17,964

Change in net position of governmental activities \$ 9,180,339

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

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The California Statewide Automated Welfare System Consortium IV (Authority) was formed in 1998 under California Government Code Section 6500 et seq. The Authority originally included the counties of San Bernardino, Riverside, Merced, and Stanislaus; however, on January 5, 2007, a new joint exercise of powers agreement was approved by the Authority adding thirty-five counties to the original four. The counties have been divided into seven regions and one representative from each region is selected to serve on the board establishing a seven member governing board. The governing board consists of a Chairperson, a Vice Chairperson, a 2nd Vice Chairperson and four members who are charged with the responsibility of governing and administering the Authority.

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 four original counties. The primary objective of the migration project is to provide the Interim Statewide Automated Welfare System (ISAWS) counties and the customers 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.

(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 capital assets net of accumulated depreciation and related debt.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

(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 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.

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 financial resources of the Authority.

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

Pursuant to the Joint Exercise of Powers Agreement, the Treasurer of the County of San Bernardino (County) has custody of all cash for the Authority. The Authority's share of the pooled cash account is separately accounted for in its own operating fund, net of related expenses. Cash is carried at cost, which is the value at the time of deposit.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

(e) Capital Assets

Capital assets, which include computers, software, and computer hardware, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 for hardware and \$40,000 for software and 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 estimated fair market value 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:

| | |
|-------------------------------|--------------|
| Computers | 2 to 5 years |
| Servers | 3 to 7 years |
| Software | 3 years |
| Internally Developed Software | 10 years |

(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 inventory) or are required to be maintained intact.
2. Restricted – amounts constrained to specific purposes by their providers (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.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

(g) Prepaid Items

Certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid expenses in both the government-wide and the fund financial statements. \$27,436 of the prepaid expense balance is for insurance and the other \$9,245,358 is for prepaid software and hardware support.

(h) Receivables

Generally Accepted Accounting Principles require receivables to be recorded when revenue is earned but not yet received as of fiscal year-end. \$4,609,080 and \$7,327,061 of the due from other governments balance on both the fund financial statements and the Statement of Net Position are monies owed from the State of California and member counties, respectively, to settle the current liabilities of the Authority. The amount due from the State of California includes both Federal pass-through and State portion of grant revenue.

The \$200,000 royalty receivable balance is due from Accenture in exchange for the right to sell systems similar to C-IV to other entities. This balance is expected to be collected in June 2014.

(i) Matured Leases and Interest Payable

The matured leases payable balance of \$284,711 and the matured interest payable balance of \$75,140 reflect the leases and corresponding interest due as of June 30, 2013. These accounts represent liabilities that have reached their maturity dates. These amounts were unpaid as of June 30, 2013 due to revenues from the state and member counties being received after the fiscal year-end cutoff date for payment processing.

(j) Unearned Revenue

Generally Accepted Accounting Principles require unearned revenue to be recorded when revenue is received before it is earned. The unearned revenue balance of \$245,132 reflects amounts received by the Authority to pay for project development expenditures of future periods.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

(k) Implemented Accounting Pronouncements

During fiscal year 2013, the Authority adopted the following Governmental Accounting Standards Board (GASB) Statements:

- i) *GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.* The Authority has determined this statement has no impact on the financial statements.
- ii) *GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34:* The Authority has determined this statement has no impact on the financial statements.
- iii) *GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The Authority has determined this statement has no impact on the financial statements.
- iv) *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Authority implemented this statement as of July 1, 2012.

(l) 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.

NOTE 2 – CASH AND INVESTMENTS

As discussed in Note 1 (d), the Authority’s cash and investments are held in the San Bernardino County Treasurer’s pool. 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, 2013, the Authority’s cash and investments held in the County Treasurer’s pool totaled \$10,983,291.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS, (CONTINUED)

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 6 of the San Bernardino County's Comprehensive Annual Financial Statements (CAFR). Information regarding the CAFR can be found at <http://www.sbcounty.gov/atc/> or 222 W. Hospitality Lane, 4th Floor, San Bernardino, CA 92415-0018.

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE - 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

| | Total Governmental Funds (Page 5) | Long-Term Assets and Liabilities (1) | Statement of Net Position Total (Page 3) |
|--|---|---|--|
| ASSETS | | | |
| Cash in County of San Bernardino Treasurer's Pool | \$ 10,983,291 | \$ - | \$ 10,983,291 |
| Due From Other Governments | | | |
| State of California | 4,609,080 | - | 4,609,080 |
| Member Counties | 7,327,061 | 203,293 | 7,530,354 |
| Royalty Receivable | 200,000 | - | 200,000 |
| Prepaid Items | 9,272,794 | - | 9,272,794 |
| Capital Assets, Net of Accumulated Depreciation and Amortization | - | 108,228,945 | 108,228,945 |
| Total Assets | \$ 32,392,226 | \$ 108,432,238 | \$ 140,824,464 |
| LIABILITIES | | | |
| Accounts Payables | \$ 18,079,620 | \$ - | \$ 18,079,620 |
| Due To Other Governments | | | |
| State of California | 3,102,004 | - | 3,102,004 |
| County of San Bernardino | 39,441 | - | 39,441 |
| Member Counties | 1,093,384 | - | 1,093,384 |
| Matured Leases Payable | 284,711 | - | 284,711 |
| Matured Interest Payable | 75,140 | - | 75,140 |
| Deferred Revenue | 200,000 | (200,000) | - |
| Unearned Revenue | 245,132 | - | 245,132 |
| Non-Current Liabilities | | | |
| Due Within One Year | | | |
| Capital Leases | - | 2,901,301 | 2,901,301 |
| Due to the State of California | - | 203,293 | 203,293 |
| Due In More Than One Year | | | |
| Capital Leases | - | 4,125,303 | 4,125,303 |
| Total Liabilities | 23,119,432 | 7,029,897 | 30,149,329 |
| Total Fund Balance/Net Position | \$ 9,272,794 | \$ 101,402,341 | \$ 110,675,135 |

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE - 3 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 | \$ 5,736,487 | |
| Computer Hardware Acquired Through Capital Leases | 21,421,364 | |
| Software | 14,598,092 | |
| Internally Developed Software | 210,100,848 | |
| Internally Developed Software In Progress | 12,988,150 | |
| Accumulated Depreciation and Amortization | <u>(156,615,996)</u> | |
| | | \$ 108,228,945 |

(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.

| | | |
|-------------------------------|----------------|---------|
| Receivables - Member Counties | 203,293 | |
| Royalty Receivable | <u>200,000</u> | |
| | | 403,293 |

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

| | | |
|----------------------------|--------------------|--------------------|
| Payables | | |
| State of California | (203,293) | |
| Capital Leases Obligations | <u>(7,026,604)</u> | |
| | | <u>(7,229,897)</u> |

Total \$ 101,402,341

(1) Expenditures for general capital assets and other related adjustments, including current year depreciation/amortization.

| | | |
|---|----------------|----------------------------|
| Computer Hardware | \$ 2,453,004 | |
| Computer Hardware Acquired Through Capital Leases | 3,133,856 | |
| Software | 1,191,935 | |
| Internally Developed Software | 6,347,813 | |
| Internally Developed Software in Progress | 10,895,347 | |
| Depreciation/Amortization | (15,231,664) | |
| Loss on Disposal | <u>(5,472)</u> | |
| | | <u><u>\$ 8,784,819</u></u> |

(1) GASB 34 Conversion Entries

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 | \$ 4,788,761 | \$ 10,895,347 | \$ (2,695,958) | \$ 12,988,150 |
| Total Assets, Not Being Depreciated | <u>4,788,761</u> | <u>10,895,347</u> | <u>(2,695,958)</u> | <u>12,988,150</u> |
| Capital Assets, Being Depreciated/Amortized | | | | |
| Computer Hardware | 3,306,921 | 2,453,004 | (23,438) | 5,736,487 |
| Computer Hardware Acquired Through Capital Leases | 21,234,991 | 3,133,856 | (2,947,483) | 21,421,364 |
| Software | 13,406,157 | 1,191,935 | - | 14,598,092 |
| Internally Developed Software | 201,057,077 | 9,043,771 | - | 210,100,848 |
| Total Capital Assets, Being Depreciated/Amortized | <u>239,005,146</u> | <u>15,822,566</u> | <u>(2,970,921)</u> | <u>251,856,791</u> |
| Less: | | | | |
| Accumulated Depreciation/Amortization | | | | |
| Computer Hardware | 1,767,687 | 703,249 | (19,912) | 2,451,024 |
| Computer Hardware under Capital Leases | 14,930,939 | 2,874,259 | (2,945,537) | 14,859,661 |
| Software | 13,392,106 | 79,451 | - | 13,471,557 |
| Internally Developed Software | 114,259,049 | 11,574,705 | - | 125,833,754 |
| Total Accumulated Depreciation/Amortization | <u>144,349,781</u> | <u>15,231,664</u> | <u>(2,965,449)</u> | <u>156,615,996</u> |
| Total Capital Assets, Being Depreciated/Amortized, Net | <u>94,655,365</u> | <u>590,902</u> | <u>(5,472)</u> | <u>95,240,795</u> |
| Total Capital Assets, Net | <u>\$ 99,444,126</u> | <u>\$ 11,486,249</u> | <u>\$ (2,701,430)</u> | <u>\$ 108,228,945</u> |

Depreciation/Amortization expense amounted to \$15,231,664 for the year ended June 30, 2013, and is reflected in the Statement of Activities in the Public Assistance Function.

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 - NON-CURRENT LIABILITIES

Capital lease obligations

The Authority has entered into capital lease obligations for computer hardware, included under capital assets with an original cost of \$21,421,364. The following is a schedule of the future minimum lease payments under these capital leases as of June 30, 2013:

| <u>Year ended June 30,</u> | |
|--------------------------------------|----------------------------|
| 2014 | \$ 3,551,564 |
| 2015 | 1,850,747 |
| 2016 | 1,403,855 |
| 2017 | 1,109,045 |
| 2018 | <u>569,830</u> |
| Total minimum obligations | 8,485,041 |
| Less amounts representing interest | <u>(1,458,437)</u> |
| Present value of minimum obligations | <u><u>\$ 7,026,604</u></u> |

Depreciation expense of leased equipment on the statement of activities amounted to \$2,874,259 for the year ended June 30, 2013.

Due to State of California

The consortium migration counties collectively are required to contribute 5% of the application development costs of the Statewide Automated Welfare System. The State of California has been fully funding these application development costs and upon implementation of the system, each migration county will be required to repay the State for their 5% share. The determination of each migration county's share is proportionate to each county's individual caseload compared to total consortium caseload upon execution of the original contract for application development. The 5% share is due to the State on June 30, 2014.

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A Joint Powers Authority)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 - NON-CURRENT LIABILITIES, (CONTINUED)

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

| | Capital Lease Obligations | Due to State of California | Total |
|---------------------------|------------------------------|-------------------------------|---------------------|
| Balance at July 1, 2012 | \$ 6,982,999 | \$ 264,862 | \$ 7,247,861 |
| Additions | 3,133,856 | - | 3,133,856 |
| Reductions | (3,090,251) | (61,569) | (3,151,820) |
| Balance at June 30, 2013 | <u>\$ 7,026,604</u> | <u>\$ 203,293</u> | <u>\$ 7,229,897</u> |
| Due within one year | \$ 2,901,301 | \$ 203,293 | \$ 3,104,594 |
| Due in more than one year | 4,125,303 | - | 4,125,303 |
| Total | <u>\$ 7,026,604</u> | <u>\$ 203,293</u> | <u>\$ 7,229,897</u> |

NOTE 6 - RELATED PARTIES AND RELATED PARTY TRANSACTIONS

There were ten San Bernardino County employees (Contractors) working on behalf of the Authority. These contractors are under the administrative supervision of the San Bernardino County Assistant County Administrator (ACA) for Human Services System. However, for daily operational purposes, these contractors report to and receive their annual performance reviews by the Authority's Project Director, who in turn receives his annual performance review by the Authority's Chairperson. As of June 30, 2013, the positions of San Bernardino County ACA and Authority Chairperson were held by one individual.

The County of San Bernardino (a member agency) provides controllership and legal counsel to the Authority which includes accounting services and legal services on a cost reimbursement basis. Total amounts paid and due the County for accounting services amount to \$175,348 and \$18,465 respectively as of June 30, 2013. Total amounts paid and due the County for legal services amount to \$31,404 and \$20,976 respectively as of June 30, 2013.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Commitments

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, 2013 in accordance with the provisions of the Single Audit Act of 1996, 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.

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 the C-IV welfare automated integrated system for the 4 original counties and the 35 Migration counties. 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.

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.

The total future commitment under existing contracts is approximately \$48,000,000.

LEADER Replacement System (LRS)

On July 29, 2011, the State of California ("State") issued a letter to federal agencies which outlined and requested approval for its strategy to consolidate the State's eligibility systems, which was approved on April 5, 2012. Subsequently, the State Legislature enacted Chapter 13 of 2011-2012 Assembly Bill No. 16, Blumenfeld, which will decrease the number of SAWS systems to two. Additionally, this legislation specifies that the reduction will occur by migrating, or moving, the 39 C-IV counties into a system jointly designed with Los Angeles County under the LEADER Replacement System ("LRS") contract. A Memorandum of Understanding that provides the basis for a cooperative collaboration between the two consortia was approved by the Los Angeles County Welfare Director and subsequently approved by the C-IV Joint Powers Authority (JPA) Board of Directors on December 8, 2011.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 – COMMITMENTS AND CONTINGENCIES, (CONTINUED)

In January 2013, C-IV began participating in the joint design of the LEADER Replacement System with Los Angeles County. In accordance with the memorandum of understanding, a migration strategy will be developed to implement the new system in the C-IV counties and a new governance model will be established to form a new consortium that will replace the LEADER and C-IV Consortia. The migration is estimated to be complete by June 30, 2018.

NOTE 8 – SUBSEQUENT EVENT

New Contracts

In December 2013, the Authority entered into new contracts with the prime development and implementation contractor and the quality assurance contractor based on estimated work plans. The implementation and development contract is for approximately \$497,000,000 and includes services through October 2019. The quality assurance contract is for approximately \$12,000,000 and includes services through December 2016. Development, implementation, and quality assurance work plan estimates are subject to change, and the contracts will be amended accordingly. These contracts will be funded through federal and state grants and through member county contributions.

NOTE 9 – RESTATEMENT OF FUND BALANCES AND NET POSITION

Fund balance and net position as of June 30, 2012 for the Authority have been restated for prepaid expenses not recorded in fiscal year 2012. The restatement resulted in an increase in the beginning balances as shown below.

| | <u>Fund Balance</u> |
|---|---------------------|
| Beginning fund balance as of July 1, 2012, as previously reported | \$ - |
| Prepaid expenses | 9,033,669 |
| Beginning fund balance as of July 1, 2012, as restated | <u>\$ 9,033,669</u> |

| | <u>Net Position</u> |
|---|-----------------------|
| Beginning net position as of July 1, 2012, as previously reported | \$ 92,461,127 |
| Prepaid expenses | 9,033,669 |
| Beginning net position as of July 1, 2012, as restated | <u>\$ 101,494,796</u> |

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS

GASB 65 – Items Previously Reported as Assets and Liabilities

In March 2012, GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The requirements of this Statement are effective for the fiscal year ending June 30, 2014. The Statement will have an impact to the financial statements.

GASB 66 – Technical Corrections – 2012 (an amendment of GASB Statement No. 10 and No. 62)

In March 2012, GASB issued Statement No. 66 – *Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement are effective for the fiscal year ending June 30, 2014. The Authority has not determined its effect on the financial statements.

GASB 67 – Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25)

In June 2012, GASB issued Statement No. 67 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 25*. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This Statement and Statement No. 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts. The requirements of this Statement are effective for the fiscal year ending June 30, 2014. This statement will have no impact to the financial statements.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS, (CONTINUED)

GASB 68 – Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)

In June 2012, GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement are effective for the fiscal year ending June 30, 2015. This statement will have no impact to the financial statements.

GASB 69 – Government Combinations and Disposals of Government Operations

In January 2013, GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about governmental combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the fiscal year ending June 30, 2015. The Authority has not determined its effect on the financial statements.

GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The requirements of this Statement are effective for the fiscal year ending June 30, 2014. The Authority has not determined its effect on the financial statements.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(A JOINT POWERS AUTHORITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS, (CONTINUED)

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contribution entities. The requirements of this Statement are effective for the fiscal year ending June 30, 2015. This Statement will have no impact to the financial statements.

Required Supplementary Information

CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(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, 2013

| | Budget Amounts | | | Variance with |
|--|------------------------|---------------------|----------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Final Budget - |
| | | | | Positive |
| | | | | (Negative) |
| Revenues | | | | |
| Intergovernmental | \$ 103,936,627 | \$ 103,936,627 | \$ 110,920,984 | \$ 6,984,357 |
| Expenditures | | | | |
| Current: | | | | |
| Service and supplies | 81,899,076 | 81,899,076 | 87,086,552 | (5,187,476) |
| Capital outlay | 18,165,138 | 18,165,138 | 17,622,998 | 542,140 |
| Debt service, principal and interest | 3,872,413 | 3,872,413 | 3,740,610 | 131,803 |
| Total expenditures | <u>103,936,627</u> | <u>103,936,627</u> | <u>108,450,160</u> | <u>(4,513,533)</u> |
| Excess of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,470,824</u> | <u>\$ 2,470,824</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. The budget variance of \$4,513,533 was funded by greater than anticipated revenues in the general fund. A reconciliation of Actual on a budgetary basis to the Statement of Revenues, Expenditures and Changes in Fund Balance is shown as follows:

| | <u>Actual</u> | <u>Actual</u> | <u>Difference</u> |
|--|--------------------------|----------------------|--------------------------|
| | (Budgetary Basis) | (GAAP Basis) | |
| <u>Intergovernmental revenues</u> | | | |
| Conversion from budgetary basis to accrual basis | \$ 110,920,984 | \$ 112,812,078 | \$ 1,891,094 |
| Conversion from budgetary basis to accrual basis and reclassification to capital expenditures and debt service | | | |
| <u>Service and supplies</u> | (87,086,552) | (87,859,247) | (772,695) |
| <u>Capital outlay</u> | (17,622,998) | (24,027,975) | (6,404,977) |
| <u>Debt service</u> | | | |
| Principal | (3,020,606) | (3,090,251) | (69,645) |
| Interest | (720,004) | (729,336) | (9,332) |
| <u>Other Financing Sources (Uses)</u> | | | |
| Capital Lease Agreements | - | 3,133,856 | 3,133,856 |
| Net change budget basis to GAAP basis | <u>\$ 2,470,824</u> | <u>\$ 239,125</u> | <u>\$ (2,231,699)</u> |

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV
(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, 2013**

Note to the Required Supplementary Information

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 2013 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 employs budget control by major object code.



**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM
CONSORTIUM IV**

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