



California SAWS  
Consortium IV



# CIV FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

**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, 2009**

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)**

**For the Year Ended June 30, 2009**

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**INDEPENDENT AUDITORS' REPORT**

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

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, 2009, which collectively comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 California Statewide Automated Welfare System Consortium IV as of June 30, 2009, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2010 on our consideration of the California Statewide Automated Welfare System Consortium IV's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although is not required to be part of, the basic financial statements. The budgetary comparison information on page 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Vavrinek, Trine, Day & Co. LLP*

Rancho Cucamonga, California  
March 19, 2010

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

**Statement of Net Assets**

**June 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash in County of San Bernardino Treasurer's Pool	\$ 34,066
Receivables	
State of California	28,395,356
Member Counties	1,090,008
Prepaid	68,550
Capital Assets, Net of Accumulated Depreciation and Amortization	<u>143,950,951</u>
Total Assets	<u>173,538,931</u>
<b>LIABILITIES</b>	
Accounts Payable	25,060,355
Payables	
County of San Bernardino	16,089
Member Counties	34,655
Deferred Revenue	28,952
Non-current Liabilities	
Due Within One Year	
Capital Leases	2,175,744
Retention Payable	3,661,976
State of California	78,814
Due In More Than One Year	
Capital Leases	6,722,394
Retention Payable	291,394
State of California	<u>415,745</u>
Total Liabilities	<u>38,486,118</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	<u>135,052,813</u>
Total Net Assets	<u><u>\$ 135,052,813</u></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, 2009**

**ASSETS**

Cash in County of San Bernardino Treasurer's Pool	\$	34,066
Receivables		
State of California		24,441,986
Member Counties		674,263
Prepaid Expenses		68,550
 Total Assets	 \$	 <u>25,218,865</u>

**LIABILITIES and FUND BALANCE**

Liabilities

Accounts Payables	\$	25,060,355
Payables		
State of California		78,814
County of San Bernardino		16,089
Member Counties		34,655
Deferred Revenue		28,952
 Total Liabilities		 25,218,865

Fund Balance

Unreserved		-
 Total Liabilities and Fund Balance	 \$	 <u>25,218,865</u>

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

Long-term assets, net of corresponding liabilities, includes due from the State of California and member counties that are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		4,369,115
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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.		143,950,951
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Long-term liabilities, net of corresponding assets including capital leases, and advance due the State of California, and retention payable are not due and payable in the current period and therefore are not reported in the funds.		(13,267,253)
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Net Assets of Governmental Activities	\$	135,052,813
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*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- General Fund  
Governmental Fund  
For the Fiscal Year Ended June 30, 2009**

**REVENUES**

Intergovernmental - Federal	\$ 73,624,920
Intergovernmental - State and Local Grants	<u>69,222,953</u>
 Total Revenues	 <u>142,847,873</u>

**EXPENDITURES**

Current:	
Public Assistance	79,443,649
Debt Service:	
Principal Retirement	4,323,414
Interest	632,158
Capital Outlay	<u>64,923,847</u>
 Total Expenditures	 <u>149,323,068</u>

Excess of Revenues over (under) Expenditures (6,475,195)

**OTHER FINANCING SOURCES (USES):**

Capital Lease Agreements 6,475,195

Change in Fund Balances -

**FUND BALANCE**

Balance, Beginning of Period	-
Balance, End of Period	<u><u>\$ -</u></u>

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

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 amount by which capital outlay exceeds depreciation, amortization and loss on disposal of capital assets. 52,178,644

Revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds. 934,986

Expenses in the statement of activities do not provide current financial resources and, therefore, are not reported as expenses in the governmental funds. (934,986)

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 assets. (2,151,781)

Change in net assets of governmental activities \$ 50,026,863

*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, 2009**

**NOTE 1 – THE FINANCIAL 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 establishing a seven member governing board. As of June 30, 2009 the governing board consists of a Chairperson, a Vice Chairperson, a 2<sup>nd</sup> Vice Chairperson and four additional members. 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. Generally accepted accounting principles require that these financial statements present the accounts of the Authority and any of its component units. Component units are legally separate entities for which the Authority is considered to be financially accountable or otherwise has a relationship, which is such that the exclusion of the entity would cause the financial statements to be misleading. Blended component units are considered, in substance, part of the Authority's operations, so the accounts of these entities are to be combined with the data of the Authority. Component units, which do not meet these requirements, are reported in the financial statements as discrete units to emphasize their separate legal status. However, the Authority has determined that it is not financially accountable for, nor has any other relationship with, any other organization, which would require its inclusion in these financial statements.

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 expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also 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:

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Authority. *Governmental activities*, which normally are supported by operating grants and member contribution revenues, are reported separately, compared to *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority currently has no business-type activities.

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 assets are comprised of capital assets net of related debt.

**(b) 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 Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets 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 revenue.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 – 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.

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.

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 as they are needed.

**(c) Budgets and Budgetary Accounting**

By state law, the Authority's Governing Board must approve a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Authority's Governing Board satisfied these requirements. Amendments were made to the original budget adopted during the year due to changes in funding at the state level.

Formal budgetary integration was employed as a management control device during the year for the budgeted fund. The Authority employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

Encumbrance accounting is utilized to assure effective budgetary control; purchase orders and contracts are reviewed and a determination is made that valid and sufficient appropriations exist for payment for ordered goods and services. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations expire at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

**(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, net of related expenses.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 – 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 constructed. 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 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) 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.

\$50,194 of the prepaid balance is for insurance payments and \$18,356 is for a lease payment.

**(g) Receivables**

\$24,441,986 and \$674,263 of the accounts receivable balance on the fund financial statements are monies owed from the State of California and member counties, respectively, to settle the current liabilities of the Authority.

**(h) Deferred Revenue**

In the fund financial statements, the deferred revenue balance of \$28,952 reflects unearned revenue received by the Authority. The deferred revenue received from the member counties is to pay for expenditures incurred in future periods.

\$10,596 is for an insurance payment and the remaining \$18,356 is for a lease payment.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**(i) Implemented Accounting Pronouncements**

**Governmental Accounting Standards Board Statement No. 55**

During fiscal year 2009, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

**Governmental Accounting Standards Board Statement No. 56**

During fiscal year 2009, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements Auditing Standards*.

**NOTE 3 – CASH AND INVESTMENTS**

As discussed in Note 2, the Authority's cash and investments are held in the San Bernardino County Treasurer's pool. The County Treasurer's pool is AAA rated by credit rating agencies. At June 30, 2009, the Authority's cash and investments held in the County Treasurer's pool totaled \$34,066.

Additional information regarding the Pool, including the investment portfolio and related interest rate, custodial credit, 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.co.san-bernardino.ca.us/acr/> or 222 W. Hospitality Lane, 4<sup>th</sup> Floor, San Bernardino, California 92415-0018.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Amounts reported for governmental activities in the statement of net assets 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 Assets Total (Page 3)
<b>ASSETS</b>			
Cash in County of San Bernardino Treasurer's Pool	\$ 34,066	\$ -	\$ 34,066
Receivables			
State of California	24,441,986	3,953,370	28,395,356
Member Counties	674,263	415,745	1,090,008
Prepaid	68,550	-	68,550
Capital Assets, Net of Accumulated Depreciation and Amortization	-	143,950,951	143,950,951
Total Assets	<b>\$ 25,218,865</b>	<b>\$ 148,320,066</b>	<b>\$ 173,538,931</b>
<b>LIABILITIES</b>			
Accounts Payables	\$ 25,060,355	\$ -	\$ 25,060,355
Payables			
State of California	78,814	-	78,814
County of San Bernardino	16,089	-	16,089
Member Counties	34,655	-	34,655
Deferred Revenue	28,952	-	28,952
Non-Current Liabilities			
Due Within One Year			
Capital Leases	-	2,175,744	2,175,744
Retention Payable	-	3,661,976	3,661,976
Due In More Than One Year			
Capital Leases	-	6,722,394	6,722,394
Retention Payable	-	291,394	291,394
Due to the State of California	-	415,745	415,745
Total Liabilities	25,218,865	13,267,253	38,486,118
Total Fund Balance/Net Assets	<b>\$ -</b>	<b>\$135,052,813</b>	<b>\$135,052,813</b>

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4 - 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	\$ 1,167,957	
Computer Hardware under Capital Leases	23,138,336	
Software	6,027,127	
Internally Developed Software	138,324,227	
Internally Developed Software In Progress	82,882,549	
Accumulated Depreciation and Amortization	<u>(107,589,245)</u>	
		\$ 143,950,951

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

Receivables		
State of California	3,953,370	
Member Counties	<u>415,745</u>	
		4,369,115

(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	(415,745)	
Retention Payable	(3,953,370)	
Capital Leases Obligations	<u>(8,898,138)</u>	
		<u>(13,267,253)</u>

Total Net Assets		<u><u>\$ 135,052,813</u></u>
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**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Computer Hardware	\$ 642,435	\$ 557,420	\$ (31,898)	\$ 1,167,957
Computer Hardware under Capital Leases	27,378,433	6,475,195	(10,715,292)	23,138,336
Software	5,637,126	390,001	-	6,027,127
Internally Developed Software	136,511,565	1,812,662	-	138,324,227
Internally Developed Software in Progress	27,193,980	55,688,569	-	82,882,549
<b>Total Capital Assets</b>	<u>197,363,539</u>	<u>64,923,847</u>	<u>(10,747,190)</u>	<u>251,540,196</u>
Less:				
Accumulated Depreciation				
Computer Hardware	238,231	376,875	(24,226)	590,880
Computer Hardware under Capital Leases	20,237,012	3,212,059	(10,364,621)	13,084,450
Software	5,511,411	62,490	-	5,573,901
Internally Developed Software	79,604,578	8,735,436	-	88,340,014
<b>Total Accumulated Depreciation</b>	<u>105,591,232</u>	<u>12,386,860</u>	<u>(10,388,847)</u>	<u>107,589,245</u>
<b>Total Capital Assets (Net)</b>	<u>\$ 91,772,307</u>	<u>\$ 52,536,987</u>	<u>\$ (358,343)</u>	<u>\$ 143,950,951</u>

Depreciation expense amounted to \$12,386,860 for the year ended June 30, 2009, 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, 2009**

**NOTE 6 - 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 \$23,138,336. The following is a schedule of the future minimum lease payments under these capital leases as of June 30, 2009:

<u>Year ended June 30,</u>	
2010	\$ 2,939,303
2011	2,503,578
2012	2,253,849
2013	1,999,011
2014	<u>1,160,975</u>
Total minimum obligations	10,856,716
Less amounts representing interest	<u>(1,958,578)</u>
Present value of minimum obligations	<u>\$ 8,898,138</u>

Amortization expense included with depreciation expense on the statement of activities amounted to \$3,212,059 for the year ended June 30, 2009.

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 the county's individual caseload compared to total migration county persons count upon execution of the original contract for application development.

The State offered the migration counties two options of paying the 5%. Counties could pay "now" or opt to defer repayment until completion of the implementation phase. Some migration counties have opted to not defer the amount and the State has invoiced these counties their share. As of June 30, 2009, not all counties choosing this option have paid; therefore, a current liability exists. The amount due by the other counties is considered a non-current liability. As the Authority is considered the pass-through entity for this transaction, a corresponding receivable is recorded equal to the current liability.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - NON-CURRENT LIABILITIES, (CONTINUED)**

Retention Payable

Deliverables of the development and implementation phase are subject to two different holdback amounts of 10% and 7.5%. The Authority pays 90% of the invoiced amounts for development deliverables, migration services and other migration project tasks performed prior to final migration deployments. The Authority pays 92.5% of invoiced amounts for implementation deliverables which have received acceptance. As of June 30, 2009, the vendor holdbacks amount to \$3,953,370. Holdback payments will be released when each agreed upon milestone is complete.

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

	<u>Capital Lease Obligations</u>	<u>Due to State of California</u>	<u>Retention Payable</u>	<u>Total</u>
Balance at July 1, 2008	\$ 6,746,357	\$ 553,431	\$ 2,959,512	\$ 10,259,300
Additions	6,475,195	509,540	3,111,996	10,096,731
Retirements	<u>(4,323,414)</u>	<u>(568,412)</u>	<u>(2,118,138)</u>	<u>(7,009,964)</u>
Balance at June 30, 2009	<u>\$ 8,898,138</u>	<u>\$ 494,559</u>	<u>\$ 3,953,370</u>	<u>\$ 13,346,067</u>
Due within one year	\$ 2,175,744	\$ 78,814	\$ 3,661,976	\$ 5,916,534
Due in more than one year	<u>6,722,394</u>	<u>415,745</u>	<u>291,394</u>	<u>7,429,533</u>
Total	<u>\$ 8,898,138</u>	<u>\$ 494,559</u>	<u>\$ 3,953,370</u>	<u>\$ 13,346,067</u>

**NOTE 7 - RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

There are eleven San Bernardino County employees, including the Project Director, contracted to work for 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, 2009, the Authority Chairperson represents the County of Merced.

The County of San Bernardino, a member agency, provides controllership services to the Authority which includes accounting services on a cost reimbursement basis. Total amounts paid and due the County for these services amount to \$99,490 and \$16,089 respectively as of June 30, 2009.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

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, 2009 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 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 such amounts, if any, to be immaterial.

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.

**Maintenance and Operation (Original member counties):**

The total future commitment under the maintenance and operations contracts is \$253,965,293 and that is allocated for all maintenance and operations activities, including management of the project, staffing, quality assurance, equipment, software, and facilities leasing FY 09/10 through FY 14/15.

**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM CONSORTIUM IV  
(A JOINT POWERS AUTHORITY)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES, (CONTINUED)**

**Development and Implementation (35 member counties):**

The total future commitment under the development contract is \$34,405,226 and that includes management of the project, staffing, equipment, equipment maintenance, software, software maintenance, facilities and network from FY 09/10 through FY 10/11. The total future commitment under the implementation contract is \$72,249,875 and that includes project management, staffing, equipment, equipment maintenance, software, software maintenance, facilities, training, imaging and Interactive Voice Response (IVR) from FY 09/10 through FY 11/12. The total future commitment under the quality assurance contract for Migration development and implementation is \$3,898,035 and that includes project management, staffing and testing from FY 09/10 through FY 10/11. In addition, De Lage Landen Financial is owed \$881,093 from FY 09/10 through FY 12/13 for financing of fixed assets with unit costs above \$5,000.

**NOTE 9 – NEW ACCOUNTING PRONOUNCEMENTS:**

***GASB 51 – Accounting and Financial Reporting for Intangible Assets***

The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The Authority has not determined its effect on the financial statements.

***GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions***

The GASB issued Statement No. 54, *Fund Balance and Reporting and Governmental Fund Type Definitions*. The statement is intended to improve the usefulness of reported fund balance information by addressing the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. The statement guidance is to distinguish fund balance between amounts that are considered non-spendable. Fund balance amounts will be reported in the following category: Restricted, Committed, Assigned, and Unassigned. The new standard also clarifies the definitions of individual governmental fund types. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2010. The authority has not determined its effect on 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 Fiscal Year Ended June 30, 2009**

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 123,054,681	\$ 121,925,811	\$ 119,308,814	\$ (2,616,997)
<b>Expenditures</b>				
Service and supplies	96,952,850	97,018,243	56,795,002	40,223,241
Capital outlay	22,477,324	21,283,061	64,356,689	(43,073,628)
Debt service, principal and interest	3,624,507	3,624,507	4,637,256	(1,012,749)
	<u>123,054,681</u>	<u>121,925,811</u>	<u>125,788,947</u>	<u>(3,863,136)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,480,133)</u>	<u>\$ (6,480,133)</u>

**Cash Basis/GAAP Reconciliation**

The budget as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual is reported using the cash 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 only State approved activities for SAWS. The budget variance of \$3,863,136 reflects expenditures outside the state approved activities which become the obligation of the member counties. A reconciliation of Actual on a cash basis to the Statement of Revenues, Expenditures and Changes in Fund Balance is shown as follows:

	Actual (Cash Basis)	Actual (Fund Financial)	Change
<u>Intergovernmental revenues</u>			
Conversion from cash basis to accrual basis	\$ 119,308,814	\$ 142,847,873	\$ 23,539,059
<u>Service and supplies</u>			
Conversion from cash basis to accrual basis and reclassification to capital expenditures and debt service	(56,795,002)	(79,443,649)	(22,648,647)
<u>Capital outlay</u>	(64,356,689)	(64,923,847)	(567,158)
<u>Debt service</u>			
Principal	(4,043,830)	(4,323,414)	(279,584)
Interest	(593,426)	(632,158)	(38,732)
Capital lease agreements	-	6,475,195	6,475,195
Net change budget basis to GAAP basis	<u>\$ (6,480,133)</u>	<u>\$ -</u>	<u>\$ 6,480,133</u>



**CALIFORNIA STATEWIDE AUTOMATED WELFARE SYSTEM  
CONSORTIUM IV**

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