

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY**

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021



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**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO BASIC FINANCIAL STATEMENTS	10
OTHER SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE	14
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15



INDEPENDENT AUDITORS' REPORT

Board of Directors
California Electronic Recording
Transaction Network Authority
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Electronic Recording Transaction Network Authority (the Authority) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The budgetary comparative schedule on page 14 is presented as other supplementary information for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparative schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
October 28, 2022

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

INTRODUCTION

The following discussion and analysis of the financial performance and activity of the California Electronic Recording Transaction Network Authority (the Authority) provides an introduction and understanding of the basic financial statements of the Authority. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Authority was established on July 1, 2007, by a resolution of the Board of Supervisors of Kern County and the Board of Supervisors of San Bernardino County (the Board) for the purpose of the design, development, implementation, and ongoing operation and maintenance of an Assembly Bill (AB) 578 (Government Code Sections 27390 et seq.) compliant Electronic Recording Delivery System (ERDS) as well as a Government Code Section 27279 compliant system. The systems are used by the signatories to the Joint Powers Agreement to manage the programs for which they are responsible and may include interfaces to other county consortia and state automated ERDS as provided in the Government Code.

The Authority, as of June 30, 2020, is comprised of eleven member counties: El Dorado, Fresno, Kern, Madera, Merced, Monterey, Santa Clara, Santa Cruz, San Joaquin, Shasta, and Solano. The Authority also services eleven client counties: Alameda, Butte, Contra Costa, Mono, Napa, Placer, San Francisco, San Luis Obispo, Sonoma, Tehama and Yuba. San Bernardino County withdrew from the JPA on July 1, 2020.

FINANCIAL STATEMENTS

The Authority previously adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*. GASB Statement No. 34 establishes the accounting and financial reporting standards for state and local governments. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

The Authority's basic financial statements include: (1) the statement of net position; (2) the statement of revenues, expenses, and changes in net position; (3) the statement of cash flows; and (4) the notes to the basic financial statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

STATEMENT OF CASH FLOWS

The statement of cash flows is presented using the direct method and includes a reconciliation of operating cash flows to operating income. The statement of cash flows basically provides detailed information about the cash received in the current fiscal year and the uses of the cash received. This is the only cash-basis financial statement presented and it reconciles cash receipts and cash expenditures to the beginning and ending cash on hand.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

STATEMENT OF CASH FLOWS (CONTINUED)

Most of the revenues are from county contributions based on a per affected title rate set by the board of directors in the adoption of the Authority's annual budget. All expenditures were for operating expenses.

FINANCIAL HIGHLIGHTS

- Operating revenues were \$1,494,024 while operating expenses were \$484,319.
- Loan forgiveness and debt extinguishment from Kern and San Bernardino Counties (Counties) was recognized in the amount of \$994,823, offset by pension liability relief to the Counties of \$863,162.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

A summary of the Authority's statements of revenues, expenses, and changes in net position for fiscal years 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)	
			Amount	Percent
Operating Revenues	\$ 1,494,024	\$ 1,131,625	\$ 362,399	32.0%
Operating Expenses	484,319	971,969	(487,650)	-50.2%
Operating Income	1,009,705	159,656	850,049	532.4%
Nonoperating Revenues	160,887	29,792	131,095	440.0%
Nonoperating Expenses	(18,887)	(23,390)	4,503	-19.3%
Increase in Net Position	<u>\$ 1,151,705</u>	<u>\$ 166,058</u>	<u>\$ 985,647</u>	NM

The largest revenue category listed on the statements of revenues, expenses, and changes in net position is Fees for Services from Other Governmental Agencies (100% in 2021). Most of the revenue is collected from member counties through contributions based on the number of titles subject to the electronic recording fee (as specified in Government Code Sections 27390 et seq.) recorded by each county.

Operating and maintaining an AB 578 (Government Code Sections 27390 et seq.) compliant ERDS, as well as a Government Code Section 27279 compliant system, is dependent on staffing and technology. Sixty-two percent (62%) of the Authority's operating expenses is for wages and benefits paid to employees. The next largest category of expense is for computer related technology.

During the fiscal year ended June 30, 2021, the Authority received loan forgiveness from one of the withdrawing members and Kern County, a Board member. The Authority reported \$994,823 in gain from extinguishment of debt and it is recorded in nonoperating revenue.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

STATEMENTS OF NET POSITION

The Authority's statements of net position as of June 30, 2021 and 2020, are as follows:

	2021	2020	Increase (Decrease)	
			Amount	Percent
Assets:				
Current Assets	\$ 3,715,050	\$ 1,566,561	\$ 2,148,489	137.1%
Noncurrent Assets:				
Capital Assets, Net	33,730	49,296	(15,566)	-31.6%
Total Assets	<u>3,748,780</u>	<u>1,615,857</u>	<u>2,132,923</u>	<u>132.0%</u>
Deferred Outflows of Resources	-	198,731	(198,731)	-100.0%
Liabilities:				
Current Liabilities	2,601,572	6,972	2,594,600	37214.6%
Noncurrent Liabilities	<u>-</u>	<u>1,774,034</u>	<u>(1,774,034)</u>	<u>-100.0%</u>
Total Liabilities	<u>2,601,572</u>	<u>1,781,006</u>	<u>820,566</u>	<u>46.1%</u>
Deferred Inflows of Resources	<u>-</u>	<u>38,079</u>	<u>(38,079)</u>	<u>-100.0%</u>
Net Position:				
Investment in Capital Assets	33,730	49,296	(15,566)	-31.6%
Unrestricted	<u>1,113,478</u>	<u>(53,793)</u>	<u>1,167,271</u>	<u>-2169.9%</u>
(Accumulated Deficit)	<u>\$ 1,147,208</u>	<u>\$ (4,497)</u>	<u>\$ 1,151,705</u>	

The change in net position is a result of operating and nonoperating activity and was \$1,147,208.

CAPITAL ASSETS

As of the end of fiscal year 2021, the Authority's capital assets, before accumulated depreciation, were valued at \$160,332. There were no additions of capital assets during the year.

	2021	2020	Increase (Decrease)	
			Amount	Percent
Equipment	\$ 160,332	\$ 160,332	\$ -	0.0%
Less: Accumulated Depreciation	<u>(126,602)</u>	<u>(111,036)</u>	<u>(15,566)</u>	14.0%
Net Total	<u>\$ 33,730</u>	<u>\$ 49,296</u>	<u>\$ (15,566)</u>	-31.6%

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority notes that the number of real estate transactions and associated document recording levels have improved as compared to the previous year and makes particular note of a market which continues with high demand for housing. This overall improved environment, coupled with the economic environment to include tax cuts, presents an opportunity for increased recording activity level and its associated revenue stream. Due to these uncertainties, the Authority is conservatively projecting that for the fiscal year 2021-22 budget, recording activity will increase approximately 10% as compared to the previous FY.

The fiscal year 2021-22 budget maintains a board county rate of \$0.51 per electronic recording dollar collected. This rate and the increase of Client County Tier Rates will allow the Authority to match revenue with budgeted expenditures. For the fiscal year 2021-22, the adopted budget for the Authority's operating budget is \$4,429,101, this is a significant increase from the 2020-21 budget of \$2,115,052. The budget for fiscal year 2021-22 includes the expected SBCERA retirement payoff amount of \$2,525,121.

At the time the fiscal year 2021-22 budget was adopted, the total capital project expenditure budget for fiscal year 2021-22 was \$25,000, which is level with the fiscal year 2020-21 capital project budget. Although the \$25,000 is budgeted, there are no committed expenses and it is reserved for infrastructure contingency needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The Authority's financial report is designed to provide the board of directors, management, creditors, legislative and oversight agencies, citizens, and customers with an overview of the Authority's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact the Executive Director of the Authority at (714) 400-8188.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,096,721
Accounts Receivable	276,093
Due from Members	1,312,507
Prepays	29,729
Total Current Assets	3,715,050

Noncurrent Assets:

Capital Assets:

Computer Equipment, Net of Accumulated Depreciation	33,730
Total Noncurrent Assets	33,730

Total Assets	3,748,780
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	4,250
Compensated Absences Payable	72,201
Net Pension Liability	2,525,121
Total Current Liabilities	2,601,572

Total Liabilities	2,601,572
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NET POSITION

Investment in Capital Assets	33,730
Unrestricted	1,113,478
Total Net Position	\$ 1,147,208

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

OPERATING REVENUES

Fees for Services from Other Governmental Agencies \$ 1,494,024

OPERATING EXPENSES

Insurance	26,004
Salaries and Benefits	216,008
Office	9,373
Professional Services	100,248
Data Processing	116,198
Transportation and Travel	922
Depreciation	15,566
Total Operating Expenses	484,319

OPERATING INCOME

1,009,705

NONOPERATING REVENUES (EXPENSES)

Interest Earnings	11,259
Interest Expense and Other	(18,887)
Gain from extinguishment of Debt	131,661
Other	17,967
Total Nonoperating Revenues (Expenses)	142,000

CHANGE IN NET POSITION

1,151,705

Net Deficit - Beginning of Year

(4,497)

NET POSITION - END OF YEAR

\$ 1,147,208

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Receipts from Sale of Services	\$ 1,443,279
Cash Payments to Employees for Salaries and Benefits	474,328
Cash Payments to Vendors for Goods and Services	<u>(170,057)</u>
Net Cash Provided by Operating Activities	<u>1,747,550</u>

CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES

Advances Payable Payments - Principal	<u>(25,000)</u>
Net Cash Used by Non-Capital and Related Financing Activities	<u>(25,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>11,259</u>
Net Cash Provided by Investing Activities	<u>11,259</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,733,809

Cash and Cash Equivalents - Beginning of Year

1,226,074

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,959,883

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 1,009,705
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	15,566
(Increase) Decrease in:	
Accounts Receivable	(50,745)
Prepays	85,410
Due from Members	(1,312,507)
Deferred Pensions	160,652
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	(2,722)
Compensated Absences Payable	(207,861)
Net Pension Liability	<u>2,050,052</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,747,550</u></u>

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The California Electronic Recording Transaction Network Authority (the Authority) was established July 1, 2007, as a unifying umbrella agency to coordinate the service desires of both the County of Kern and the County of San Bernardino and enable certain lead counties to jointly develop, implement, and support an Assembly Bill 578 compliance system to be known as the California Electronic Recording Transaction Network, which will allow for the electronic recording of documents by multiple counties using variable back-end systems. As of June 30, 2021, there are a total of 23 counties in the Authority, this includes 11-member counties as the governing counties and 12 client counties. The 11 member counties are Santa Cruz, Kern, El Dorado, Fresno, Madera, Merced, Monterey, San Joaquin, Santa Clara, Shasta, and Solano. The client counties are Alameda, Butte, Contra Costa, Napa, Placer, San Francisco, San Luis Obispo, Sonoma, Tehama, Yuba, Calaveras, and Tuolumne. The governing board of directors of the Authority consists of 11 county officials, each from a member county.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards. The Authority is presented in the accompanying basic financial statements as a proprietary fund type - an enterprise fund. As a proprietary fund type, the Authority accounts for its transactions on the flow of economic resources measurement focus and using the accrual basis of accounting. Under the accrual basis of accounting, revenues and receivables are recognized when earned and expenses are recorded when the liability is incurred, or economic asset is used.

Classification of Revenues

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Pensions

Prior to the fiscal year ended June 30, 2021, the Authority participated in the San Bernardino County Employees' Retirement Association (SBCERA). The Authority elected to withdraw from the SBCERA pension plan, effective July 1, 2020. The existing liability required to satisfy the obligation will be paid in full by all member counties, including those that are withdrawing from the JPA.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

The Authority pools cash with the County of Kern. Interest income earned on pooled cash is allocated from the County of Kern to the Authority based on its average cash balances outstanding. For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 3 ACCOUNTS RECEIVABLE

The accounts receivable is reported at its gross value, and where appropriate, is reduced by an allowance for the estimated uncollectible amounts. There were no estimated allowances for uncollectible amounts on the accounts receivable balance of \$276,093.

As further discussed in Note 8, the Authority elected to withdraw from the SBCERA pension plan, effective July 1, 2020. The existing liability required to satisfy the obligation will be paid in full by all member counties, including those that are withdrawing from the Authority. Accordingly, the Authority has recorded \$1,312,502 due from Members which is the amount remaining to be collected from the Members to satisfy the pension obligation.

NOTE 4 CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed capital assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized but are expensed as incurred.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Ground Equipment, Furniture, and Office Equipment	15 Years
Communication Equipment and Vehicles	10 Years
Computer Equipment	5 Years

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the fiscal year ended June 30, 2021, are as follows:

	Balance - June 30, 2020	Additions	Deletions	Balance - June 30, 2021
Depreciable Capital Assets:				
Computer Equipment	\$ 160,332	\$ -	\$ -	\$ 160,332
Accumulated Depreciation:				
Computer Equipment	(111,036)	(15,566)	-	(126,602)
Net Capital Assets	<u>\$ 49,296</u>	<u>\$ (15,566)</u>	<u>\$ -</u>	<u>\$ 33,730</u>

Depreciation expense for the fiscal year ended June 30, 2021, was \$15,566.

NOTE 5 ADVANCES PAYABLE AND DEBT EXTINGUISHMENT

At the beginning of July 2007, the County of Kern and the County of San Bernardino advanced \$500,000 and \$1,500,000, respectively, to the Authority as initial funding. The advances bear interest at the same rate that the County of Kern and the County of San Bernardino apply to funds of other outside districts on deposit with the County of Kern and the County of San Bernardino's treasury. In addition, accrued interest will accrete to the principal of the advances.

As further described in Note 8, during fiscal year ended June 30, 2021, the Authority elected to withdraw from the San Bernardino County Employees' Retirement Association (SBCERA) pension plan. The existing liability will be paid in full by all member counties, including those that are withdrawing from the Authority. Pursuant to this withdrawal, the County of Kern and the County of San Bernardino extinguished the Authority's obligation to repay its advances to them in exchange for relief from their respective obligations to fund the withdrawal from the SBCERA pension plan. This resulted in gain from debt extinguishment and accreted interest of \$994,823 offset by relief of the pension liability of \$863,162 for net income from loan forgiveness of \$131,661.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 FEES FOR SERVICES FROM OTHER GOVERNMENTAL AGENCIES

The Authority charges a fee to constituent organizations on a quarterly basis based on an annually adopted operating budget, total document recordings, and a per document fee. The Authority’s operating budget is adopted on an annual basis by the board of directors. This operating budget total is divided by the total estimated document recording volume of constituent organizations to arrive at an annual per document fee. Each constituent organization reports to the Authority on a quarterly basis its actual recording volumes and this number is multiplied by the per document fee to arrive at a total fee due for the quarter. This fee is then invoiced to the constituent organization and received as revenue under “Fees for Services from Other Governmental Agencies.” For the fiscal year ended June 30, 2021, the amount was \$1,494,024.

NOTE 7 RELATED PARTY TRANSACTIONS

The Authority obtained its initial funding from two related parties, the County of Kern and the County of San Bernardino, in the form of an advance payable from each county. See Note 5 for details of the advances payable and subsequent loan forgiveness and debt extinguishment.

NOTE 8 PENSIONS

Defined Benefit Pension Plans

San Bernardino County Employees’ Retirement Association

Plan Description

Prior to July 1, 2020, the Authority participated in the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan).

Subsequent to June 30, 2020, the Authority elected to withdraw from the SBCERA pension plan. The existing liability will be paid in full by all member counties, including those that are withdrawing from the JPA. Accordingly, the Authority has recorded the total obligation due to SBCERA as of June 30, 2021 as the net pension liability. See Note 5 for discussion of loan forgiveness and related pension liability relief.

NOTE 9 COMPENSATED ABSENCES

When employment with the Authority is terminated, an employee will receive compensation for all eligible unused hours. The following is a summary of earned compensated absences of the Authority for the fiscal year ended June 30, 2021:

	Balance - June 30, 2020	Additions	Deductions	Balance - June 30, 2021	Due Within One Year
Compensated Absences	\$ 280,062	\$ 72,200	\$ (280,061)	\$ 72,201	\$ 72,200

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Fees for Services from Other Governmental Agencies	\$ 555,464	\$ 1,494,024	\$ 938,560
Total Operating Revenues	<u>555,464</u>	<u>1,494,024</u>	<u>938,560</u>
OPERATING EXPENSES			
Insurance	23,000	26,004	(3,004)
Memberships	1,000	-	1,000
Salaries and Benefits	635,000	216,008	418,992
Office	20,000	9,373	10,627
Professional Services	146,500	100,248	46,252
Data Processing	125,280	116,198	9,082
Transportation and Travel	20,000	922	19,078
Annual Summit	20,000	-	20,000
Grant Issuance	67,272	-	67,272
Other Financing - Loan Repayments	25,000	-	25,000
Rents	17,000		
Depreciation	15,000	15,566	(566)
Total Operating Expenses	<u>1,115,052</u>	<u>484,319</u>	<u>613,733</u>
OPERATING INCOME (LOSS)	(559,588)	1,009,705	1,552,293
NONOPERATING REVENUES (EXPENSES)			
Interest Earnings	-	11,259	11,259
Interest Expense and Other	-	(18,887)	(18,887)
Gain from Extinguishment of Debt	-	131,661	
Other	-	17,967	17,967
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>142,000</u>	<u>10,339</u>
CHANGE IN NET POSITION	<u>\$ (559,588)</u>	1,151,705	<u>\$ 1,562,632</u>
Net Position (Accumulated Deficit) - Beginning of Year		<u>(4,497)</u>	
NET POSITION (ACCUMULATED DEFICIT) - END OF YEAR		<u>\$ 1,147,208</u>	



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
California Electronic Recording
Transaction Network Authority
Bakersfield, California

We have audited, in accordance with the 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, the financial statements of the California Electronic Recording Transaction Network Authority (the Authority), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority’s Audit’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority’s Audit’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
October 28, 2022



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