

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**



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**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
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## INDEPENDENT AUDITORS' REPORT

Honorable Members of the 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, 2020, 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, 2020, 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 on pages 3-6, the schedule of the Authority's proportionate share of the net pension liability on page 21, and the schedule of the Authority's contributions on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 23 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 March 23, 2021, 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  
March 23, 2021

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

## **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, 2020**

**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 \$1,131,625, while operating expenses were \$971,969.
- Loan repayments to Kern and San Bernardino counties were \$100,000.

**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 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)	
			Amount	Percent
Operating Revenues	\$ 1,131,625	\$ 961,029	\$ 170,596	17.8%
Operating Expenses	971,969	943,695	28,274	3.0%
Operating Income	159,656	17,334	142,322	821.1%
Nonoperating Revenues	29,792	22,170	7,622	34.4%
Nonoperating Expenses	(23,390)	(5,146)	(18,244)	354.5%
Increase in Net Position	<u>\$ 166,058</u>	<u>\$ 34,358</u>	<u>\$ 131,700</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 2020). 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.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**STATEMENTS OF NET POSITION**

The Authority's statements of net position as of June 30, 2020 and 2019, are as follows:

	2020	2019	Increase (Decrease)	
			Amount	Percent
<b>Assets:</b>				
Current Assets	\$ 1,566,561	\$ 1,477,649	\$ 88,912	6.0%
Noncurrent Assets:				
Capital Assets, Net	49,296	71,057	(21,761)	-30.6%
Total Assets	1,615,857	1,548,706	67,151	4.3%
Deferred Outflows of Resources	198,731	218,442	(19,711)	-9.0%
<b>Liabilities:</b>				
Current Liabilities	6,972	58,649	(51,677)	-88.1%
Noncurrent Liabilities	1,774,034	1,809,729	(35,695)	-2.0%
Total Liabilities	1,781,006	1,868,378	(87,372)	-4.7%
Deferred Inflows of Resources	38,079	69,325	(31,246)	-45.1%
<b>Net Position:</b>				
Net Investment in Capital Assets	49,296	71,057	(21,761)	-30.6%
Unrestricted	(53,793)	(241,612)	187,819	-77.7%
(Accumulated Deficit)	\$ (4,497)	\$ (170,555)	\$ 166,058	

The change in net position is a result of an operating gain of \$166,058.

**CAPITAL ASSETS**

As of the end of fiscal year 2020, the Authority's capital assets, before accumulated depreciation, were valued at \$160,332. There were no additions of capital assets during the year.

	2020	2019	Increase (Decrease)	
			Amount	Percent
Equipment	\$ 160,332	\$ 160,332	\$ -	0.0%
Less: Accumulated Depreciation	(111,036)	(89,275)	(21,761)	24.4%
Net Total	\$ 49,296	\$ 71,057	\$ (21,761)	-30.6%

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**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 2020-21 budget, recording activity will increase approximately 10% as compared to the previous FY. The addition of client counties during the calendar year 2020 will result in increased revenues from client counties and agent recordings in those counties.

The fiscal year 2020-21 budget maintains a board county rate of \$0.51 per electronic recording dollar collected. This rate will allow the Authority to match revenue with budgeted expenditures. For the fiscal year 2020-21, the adopted budget for the Authority's operating budget is \$1,971,295, which is an increase of 7.29% from the fiscal year 2019-20 operating budget.

At the time the fiscal year 2020-21 budget was adopted, the total capital project expenditure budget for fiscal year 2020-21 was \$25,000, which is level with the fiscal year 2019-20 capital project budget. Although the \$25,000 is budgeted, there are no committed expenditures 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 (925) 683-7043.



**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,226,074
Accounts Receivable	225,348
Prepays	115,139
Total Current Assets	1,566,561

Noncurrent Assets:

Capital Assets:

Computer Equipment, Net of Accumulated Depreciation	49,296
Total Noncurrent Assets	49,296

Total Assets	1,615,857
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Pensions	198,731
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities	6,972
Total Current Liabilities	6,972

Noncurrent Liabilities:

Advances Payable	1,018,903
Compensated Absences Payable	280,062
Net Pension Liability	475,069
Total Noncurrent Liabilities	1,774,034

Total Liabilities	1,781,006
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Pensions	38,079
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**NET POSITION (ACCUMULATED DEFICIT)**

Net Investment in Capital Assets	49,296
Unrestricted	(53,793)
Total Liabilities	\$ (4,497)

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FISCAL YEAR ENDED JUNE 30, 2020**

**OPERATING REVENUES**

Fees for Services from Other Governmental Agencies	\$ 1,131,625
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**OPERATING EXPENSES**

Insurance	19,608
Salaries and Benefits	633,809
Office	6,931
Professional Services	75,420
Data Processing	150,471
Transportation and Travel	23,483
Annual Summit	20,963
SDE - Grant Issuance	19,523
Depreciation	21,761
Total Operating Expenses	971,969

**OPERATING INCOME**

159,656

**NONOPERATING REVENUES (EXPENSES)**

Interest Earnings	29,792
Interest Expense and Other	(23,390)
Total Nonoperating Revenues (Expenses)	6,402

**CHANGE IN NET POSITION**

166,058

Net Position (Accumulated Deficit) - Beginning of Year

(170,555)

**NET POSITION (ACCUMULATED DEFICIT) - END OF YEAR**

\$ (4,497)

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
STATEMENT OF CASH FLOWS  
FISCAL YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Receipts from Sale of Services	\$ 1,095,007
Cash Payments to Employees for Salaries and Benefits	(604,429)
Cash Payments to Vendors for Goods and Services	(469,241)
Net Cash Provided by Operating Activities	<u>21,337</u>

**CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES**

Advances Payable Payments - Principal	(100,000)
Net Cash Used by Capital and Related Financing Activities	<u>(100,000)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	29,792
	<u>29,792</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(48,871)

Cash and Cash Equivalents - Beginning of Year

1,274,945

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 1,226,074

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$ 159,656
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	21,761
(Increase) Decrease in:	
Accounts Receivable	(22,644)
Prepays	(115,139)
Deferred Pensions	(11,535)
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	(37,703)
Unearned Revenues	(13,974)
Compensated Absences Payable	10,449
Net Pension Liability	30,466
Net Cash Provided by Operating Activities	<u>\$ 21,337</u>

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020, a total of 22 counties had joined the Authority, including 12-member counties as the governing counties and 10 client counties. The member counties are the Counties of El Dorado, Fresno, Kern, Madera, Merced, Monterey, San Bernardino, Santa Clara, Santa Cruz, San Joaquin, Shasta, and Solano. The counties of Butte, Contra Costa, Mono, Napa, Placer, San Francisco, San Luis Obispo, Sonoma, Tehama and Yuba joined the Authority as client counties. The governing board of directors of the Authority consists of nine 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**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and additions to/deductions from SBCERA's fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements; benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms; and investments are reported at fair value.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 now pools cash with the County of Kern. The cash balances reflect the transfers in of the borrowed funds from both the County of Kern and the County of San Bernardino, reflected as advances payable on the statement of net position. 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 \$225,348.

**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, 2020**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Changes in capital assets for the fiscal year ended June 30, 2020, are as follows:

	Balance - June 30, 2019	Additions	Deletions	Balance - June 30, 2020
Depreciable Capital Assets:				
Computer Equipment	\$ 160,332	\$ -	\$ -	\$ 160,332
Accumulated Depreciation:				
Computer Equipment	(89,275)	(21,761)	-	(111,036)
Net Capital Assets	<u>\$ 71,057</u>	<u>\$ (21,761)</u>	<u>\$ -</u>	<u>\$ 49,296</u>

Depreciation expense for the fiscal year ended June 30, 2020, was \$20,176.

**NOTE 5 ADVANCES PAYABLE**

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. The advances will be paid back, both principal and accrued interest, from the Authority's net operating revenues as available. The advances payable may be prepaid in whole or in part at any time, without penalty. There is no structured due date for principal and unpaid interest for the advances payable. At June 30, 2020, the outstanding principal balance was \$1,018,903.

**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, 2020, the amount was \$1,131,625.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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.

**NOTE 8 PENSIONS**

**Defined Benefit Pension Plans**

**San Bernardino County Employees' Retirement Association**

*Plan Description*

The Authority participates in the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Authority employees are General members of SBCERA; therefore, Safety Plan information is not included in these financial statements. Generally, those who become members prior to January 1, 2013, are Tier 1 members. All other members are Tier 2. Employees who are appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required, are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

The Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL); the California Public Employees' Pension Reform Act of 2013 (PEPRA); and the regulations, procedures, and policies adopted by SBCERA's Board of Retirement (the Board). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA is a legally separate entity from the Authority, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the Authority's financial statements exclude the SBCERA pension plan as of June 30, 2020. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information that can be obtained by writing SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at [www.SBCERA.org](http://www.SBCERA.org).

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSIONS (CONTINUED)**

**Defined Benefit Pension Plans (Continued)**

**San Bernardino County Employees' Retirement Association (Continued)**

*Benefits Provided*

SBCERA provides retirement, disability, death, and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation, and service credit as follows:

	General - Tier 1	General - Tier 2
Final Average Compensation	Highest 12 Months	Highest 35 Months
Normal Retirement Age	Age 55	Age 55
Early Retirement: Years of Service Required and/or Age Eligible For	Age 70 Any Years 10 Years Age 50 30 Years Any Age	Age 70 Any Years 5 Years Age 52 N/A
Benefit Percent per Year of Service for Normal Retirement Age	2% per Year of Final Average Compensation for Every Year of Service Credit	2.5% per Year of Final Average Compensation for Every Year of Service Credit
Benefit Adjustments	Reduced before Age 55, Increased After 22 Up to Age 65	Reduced before Age 37
Final Average Compensation Limiation	Internal Revenue Code Section 401(a)(17)	Government Code Section 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the member's years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.



**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSIONS (CONTINUED)**

**Defined Benefit Pension Plans (Continued)**

**San Bernardino County Employees' Retirement Association (Continued)**

*Contributions*

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code Sections 31453.5 and 31454 for participating employers, and Government Code Sections 31621.6, 31639.25, and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable, and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee contribution rates for the fiscal year ended June 30, 2020, ranged between 7.58% and 12.05% for Tier 1 General members, and between 9.06% and 9.11% for Tier 2 General members. Employee contribution rates for the fiscal year ended June 30, 2018, ranged between 7.47% and 16.06% for Tier 1 General members, and between 9.05% and 9.16% for Tier 2 General members. Employer contributions were \$85,929 for the fiscal year ended June 30, 2020.

*Pension Liability*

At June 30, 2020, Authority reported a net pension liability of \$475,069 for its proportionate share of SBCERA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. SBCERA's publicly available financial report provides details on the change in the net pension liability.

The Authority's proportion of the net pension liability was based on the Authority's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of SBCERA's participating employers. At June 30, 2019, the Authority's proportion was 0.017%, compared to 0.018% which was the proportion measured as of June 30, 2018.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSIONS (CONTINUED)**

**Defined Benefit Pension Plans (Continued)**

San Bernardino County Employees' Retirement Association (Continued)

*Pension Expense and Deferred Outflows/Inflows of Resources*

For the fiscal year ended June 30, 2020, the Authority recognized pension expense of \$94,190 for its proportionate share of SBCERA's pension expense. At June 30, 2020, the Authority reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 62,046	\$ -
Authority Contributions Subsequent to the Measurement Date	85,929	-
Net Difference between Projected and Actual Earnings on Retirement Plan Investments	9,459	-
Differences between Expected and Actual Experiences	6,338	15,275
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	34,959	22,804
Total	\$ 198,731	\$ 38,079

The \$85,929 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions to SBCERA, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SBCERA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 24,073
2022	1,423
2023	21,711
2024	12,643
2025	837
Thereafter	14,037
Total	\$ 74,723

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSIONS (CONTINUED)**

**Defined Benefit Pension Plans (Continued)**

**San Bernardino County Employees' Retirement Association (Continued)**

*Actuarial Assumptions and Methods*

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll (3.75% payroll growth assumed)
Investment Rate of Return	7.25%
Inflation	3.00%
Projected Salary Increases	General: 4.50% to 14.50%
Administrative Expenses	0.70% of payroll

For General members, post-retirement mortality is based on the RP-2014 Healthy Annuitant Mortality Tables projected generationally with the two-dimensional MP-2016 projection scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the three-year period of July 1, 2013 - June 30, 2016.

There were no changes in assumptions from the prior year.

The long-term expected rate of return on pension plan investments is 7.25%. SBCERA's actuary prepares an analysis of the long-term expected rate of return on a triennial basis using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocations (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the table on the following page.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSIONS (CONTINUED)**

**Defined Benefit Pension Plans (Continued)**

San Bernardino County Employees' Retirement Association (Continued)

*Actuarial Assumptions and Methods (Continued)*

**SBCERA's Long-Term Expected Real Rate of Return**

<u>Asset Class</u>	As of June 30, 2020 Valuation Date	
	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
U.S. Equity	N/A <sup>1</sup>	N/A <sup>1</sup>
Large Cap U.S. Equity	11.00 %	5.42 %
Small Cap U.S. Equity	2.00	6.21
Developed International Equity	9.00	6.50
Emerging Market Equity	6.00	8.80
U.S. Core Fixed Income	2.00	1.13
High Yield/Credit Strategies	13.00	3.40
Global Core Fixed Income	1.00	(0.04)
Emerging Market Debt	8.00	3.44
Real Estate	3.00	4.57
Value Added Real Estate	3.00	6.53
Cash and Equivalents	2.00	(0.03)
International Credit	11.00	5.89
Absolute Return	7.00	3.69
Other Real Assets	5.00	10.64
Private Equity	16.00	10.70
Total	<u>99.00 %</u>	

<sup>1</sup> N/A = Asset Class not considered in the calculation.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made based on the actuarially determined rates based on the SBCERA Board's funding policy, which establishes the contractually required rate based on statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 PENSIONS (CONTINUED)**

**Defined Benefit Pension Plans (Continued)**

San Bernardino County Employees' Retirement Association (Continued)

*Sensitivity of the Authority's Proportionate Share of the SBCERA Net Pension Liability to Changes in the Discount Rate*

The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	Minus 1% Discount Rate (6.25%)	Current Discount Rate (7.25%)	Plus 1% Discount Rate (8.25%)
Authority's Net Pension Liability as of June 30, 2019	\$ 857,450	\$ 475,069	\$ 161,577

*Pension Plan Fiduciary Net Position*

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at [www.SBCERA.org](http://www.SBCERA.org); by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

**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, 2020:

	Balance - June 30, 2019	Additions	Deductions	Balance - June 30, 2020	Due Within One Year
Compensated Absences	\$ 269,613	\$ 10,449		\$ 280,062	

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 RISKS AND CONTINGENCIES**

In early 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities and COVID-19 may impact various parts of the Authority's fiscal year 2020 and 2021 operations and financial results. Management believes the Authority is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent to June 30, 2020, the Authority received notice of intent by some of its members to withdraw from the JPA. In response to this, management has made adjustments in anticipation of declining board county revenue as members leave the JPA, including but not limited to increases in recording fees charged and reduction of operating expenses. In addition, the Authority recently added Alameda County as a client county which is the largest client county to sign up with the JPA to date.

Also 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.

In view of these events, Management has developed detailed projections for the Authority wherein revenue exceeds operating expenses for the foreseeable future. As such, the occurrence of these events is not expected to have a material negative impact on the Authority's results of operations.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SBCERA PENSION PLAN  
LAST 10 FISCAL YEARS**

	June 30, 2020 <sup>(1)</sup>	June 30, 2019 <sup>(1)</sup>	June 30, 2018 <sup>(1)</sup>	June 30, 2017 <sup>(1)</sup>	June 30, 2016 <sup>(1)</sup>	June 30, 2015 <sup>(1)</sup>
The Authority's Proportion of the Net Pension Liability	0.017%	0.018%	0.019%	0.019%	0.020%	0.014%
The Authority's Proportionate Share of the Net Pension Liability	\$ 475,069	\$ 444,603	\$ 507,723	\$ 472,814	\$ 381,217	\$ 244,456
The Authority's Covered Payroll <sup>(2)</sup>	\$ 342,566	\$ 368,667	\$ 349,770	\$ 374,163	\$ 198,693	\$ 219,456
The Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	138.68%	120.60%	145.16%	126.37%	191.86%	111.14%
Plan Fiduciary Net Position	\$ 1,854,873	\$ 2,251,105	\$ 2,211,389	\$ 1,899,721	\$ 2,026,260	\$ 1,378,372
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.61%	83.51%	81.33%	80.07%	84.17%	84.94%

<sup>(1)</sup> Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

<sup>(2)</sup> The proportionate share of the net pension liability reports prior year covered payroll as of the measurement date.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

	June 30, 2020 <sup>(1)</sup>	June 30, 2019 <sup>(1)</sup>	June 30, 2018 <sup>(1)</sup>	June 30, 2017 <sup>(1)</sup>	June 30, 2016 <sup>(1)</sup>	June 30, 2015 <sup>(1)</sup>
Actuarially Determined Contribution	\$ 85,929	\$ 83,563	\$ 73,871	\$ 70,005	\$ 66,969	\$ 39,966
Contributions in Relation to the Actuarially Determined	<u>(85,929)</u>	<u>(83,563)</u>	<u>(73,871)</u>	<u>(70,005)</u>	<u>(66,969)</u>	<u>(39,966)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 340,831	\$ 342,566	\$ 368,667	\$ 349,770	\$ 374,163	\$ 198,693
Contributions as a Percentage of Covered Payroll	25.2%	24.4%	21.1%	18.7%	33.7%	18.2%

<sup>(1)</sup> Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.



**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OPERATING REVENUES</b>			
Fees for Services from Other Governmental Agencies	\$ 696,349	\$ 1,131,625	\$ 435,276
Total Operating Revenues	<u>696,349</u>	<u>1,131,625</u>	<u>435,276</u>
<b>OPERATING EXPENSES</b>			
Insurance	23,000	19,608	3,392
Memberships	1,000	805	195
Salaries and Benefits	750,515	633,809	116,706
Office	25,000	6,126	18,874
Professional Services	143,500	75,420	68,080
Data Processing	153,280	150,471	2,809
Transportation and Travel	30,000	23,483	6,517
Annual Summit	20,000	20,963	(963)
Grant Issuance	50,000	19,523	30,477
Other Financing - Loan Repayments	25,000	-	25,000
Depreciation	<u>25,000</u>	<u>21,761</u>	<u>3,239</u>
Total Operating Expenses	<u>1,246,295</u>	<u>971,969</u>	<u>274,326</u>
<b>OPERATING INCOME (LOSS)</b>	(549,946)	159,656	709,602
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Earnings		29,792	29,792
Interest Expense and Other		<u>(23,390)</u>	<u>(23,390)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>6,402</u>	<u>6,402</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (549,946)</u>	166,058	<u>\$ 716,004</u>
Net Position (Accumulated Deficit) - Beginning of Year		<u>(170,555)</u>	
<b>NET POSITION (ACCUMULATED DEFICIT) - END OF YEAR</b>		<u>\$ (4,497)</u>	

Note: The annual summit was covered by the budgeted contingency.



**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***

The Honorable 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 Authority, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 23, 2021.

**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.

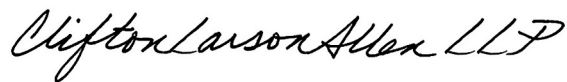
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

**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  
March 23, 2021

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2020**

**CURRENT FINDINGS AND RECOMMENDATIONS**

None.

**CALIFORNIA ELECTRONIC RECORDING  
TRANSACTION NETWORK AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2020**

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**2019 – 001 Material Weakness in Internal Control over Financial Reporting**

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The Authority does not have a formal review procedure in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the organization's internal controls.

**Criteria or specific requirement:** Internal controls and formal review procedures should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP and free of material misstatement, including review of all audit adjustments.

**Cause:** The Authority's management reviews and approves the annual financial statements and related notes, as prepared by the audit firm, and accepts responsibility for those financial statements. However, a material error was noted during our audit procedures that resulted in the prior year audit report being reissued.

**Effect:** The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

**Recommendation:** The Authority should evaluate their financial reporting processes and controls, including the expertise of its internal staff, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Views of responsible officials and planned corrective actions:** Management will continue to rely on the audit firm to draft the financial statements and the related notes to the financial statements; however, management will also develop an internal review process to provide reasonable assurance that the financial statements are prepared in accordance with U.S. GAAP and free of material misstatement, prior to approval, and acceptance of responsibility for the annual financial statements before they are issued.

**Status:** Corrective action was taken.

