

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY**

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022



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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the California Electronic Recording Transaction Network Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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 September 27, 2023, 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 Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
September 27, 2023

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022, is comprised of four member counties: El Dorado, Kern, Monterey, and Santa Cruz. The Authority also services seventeen client counties: Alameda, Butte, Calaveras, Contra Costa, Glenn, Madera, Modoc, Mono, Napa, Placer, San Francisco, San Luis Obispo, Sonoma, Tehama, Tuolumne, Yolo and Yuba.

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, 2022**

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 \$1,048,022 while operating expenses were \$676,965.

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 2022 and 2021 is as follows:

	2022	2021	Increase (Decrease)	
			Amount	Percent
Operating Revenues	\$ 1,048,022	\$ 1,494,024	\$ (446,002)	-29.9%
Operating Expenses	676,965	484,319	192,646	39.8%
Operating Income	371,057	1,009,705	(638,648)	-63.3%
Nonoperating Revenues	16,655	160,887	(144,232)	-89.6%
Nonoperating Expenses	-	(18,887)	18,887	-100.0%
Increase in Net Position	<u>\$ 387,712</u>	<u>\$ 1,151,705</u>	<u>\$ (763,993)</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 2022). 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. Fifty-nine percent (59%) 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, offset by pension liability relief to the Counties of \$863,162. This was recorded in nonoperating revenue. Nonoperating revenues in fiscal year ended June 30, 2022 were limited to interest income.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

STATEMENTS OF NET POSITION

The Authority's statements of net position as of June 30, 2022 and 2021, are as follows:

	2022	2021	Increase (Decrease)	
			Amount	Percent
Assets:				
Current Assets	\$ 1,488,925	\$ 3,715,050	\$ (2,226,125)	-59.9%
Noncurrent Assets:				
Capital Assets, Net	45,995	33,730	12,265	36.4%
Total Assets	<u>1,534,920</u>	<u>3,748,780</u>	<u>(2,213,860)</u>	<u>-59.1%</u>
Liabilities:				
Current Liabilities	-	2,601,572	(2,601,572)	-100.0%
Total Liabilities	<u>-</u>	<u>2,601,572</u>	<u>(2,601,572)</u>	<u>-100.0%</u>
Net Position:				
Investment in Capital Assets	45,995	33,730	12,265	36.4%
Unrestricted	1,488,925	1,113,478	375,447	33.7%
Total Net Position	<u>\$ 1,534,920</u>	<u>\$ 1,147,208</u>	<u>\$ 387,712</u>	

The change in net position is a result of operating and nonoperating activity and was \$387,712.

CAPITAL ASSETS

As of the end of fiscal year 2022, the Authority's capital assets, before accumulated depreciation, were valued at \$185,257. There were an addition of \$24,925 to capital assets during the year.

	2022	2021	Increase (Decrease)	
			Amount	Percent
Equipment	\$ 185,257	\$ 160,332	\$ 24,925	15.5%
Less: Accumulated Depreciation	(139,262)	(126,602)	(12,660)	10.0%
Net Total	<u>\$ 45,995</u>	<u>\$ 33,730</u>	<u>\$ 12,265</u>	<u>36.4%</u>

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority notes that the number of real estate transactions and associated document recording levels are starting to decline as compared to the previous year and makes particular note of a market with lower demand for housing and the near certainty of rising interest rates. Due to these uncertainties, the Authority is conservatively projecting that for the fiscal year 2022-23 budget, recording activity will decline approximately 10% as compared to the previous FY.

The fiscal year 2022-23 budget maintains a board county rate of \$0.51 per electronic recording dollar collected and an agent fee of up to \$0.75 per recorded document. This coupled with the previous payoff of all debt will allow the Authority to match revenue with budgeted expenditures. For the fiscal year 2022-23, the adopted budget for the Authority's operating budget is \$1,744,500, this is a significant decrease from the 2021-22 budget of \$4,429,101.

At the time the fiscal year 2022-23 budget was adopted, the total capital project expenditure budget for the fiscal year 2022-23 was \$25,000, which is equal to the fiscal year 2021-2022. 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, 2022**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,368,936
Accounts Receivable	<u>119,989</u>
Total Current Assets	<u>1,488,925</u>

Noncurrent Assets:

Capital Assets:

Computer Equipment, Net of Accumulated Depreciation	<u>45,995</u>
Total Noncurrent Assets	<u>45,995</u>

Total Assets	<u>1,534,920</u>
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NET POSITION

Investment in Capital Assets	45,995
Unrestricted	<u>1,488,925</u>
Total Net Position	<u>\$ 1,534,920</u>

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, 2022**

OPERATING REVENUES

Fees for Services from Other Governmental Agencies \$ 1,048,022

OPERATING EXPENSES

Insurance	26,174
Salaries and Benefits	404,099
Office	14,679
Professional Services	56,330
Data Processing	150,016
Transportation and Travel	13,007
Depreciation	12,660
Total Operating Expenses	676,965

OPERATING INCOME

371,057

NONOPERATING REVENUES (EXPENSES)

Interest Earnings	16,655
Total Nonoperating Revenues (Expenses)	16,655

CHANGE IN NET POSITION

387,712

Net Position - Beginning of Year

1,147,208

NET POSITION - END OF YEAR

\$ 1,534,920

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Receipts from Sale of Services	\$ 1,204,126
Cash Payments to/on Behalf of Employees for Salaries and Benefits	(1,688,914)
Cash Payments to Vendors for Goods and Services	<u>(234,727)</u>
Net Cash Used by Operating Activities	<u>(719,515)</u>

CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	<u>(24,925)</u>
Net Cash Used by Non-Capital and Related Financing Activities	<u>(24,925)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>16,655</u>
Net Cash Provided by Investing Activities	<u>16,655</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(727,785)

Cash and Cash Equivalents - Beginning of Year

2,096,721

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,368,936

**RECONCILIATION OF OPERATING INCOME TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Income	\$ 371,057
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation Expense	12,660
(Increase) Decrease in:	
Accounts Receivable	156,104
Prepays	29,729
Due from Members	1,312,507
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	(4,250)
Compensated Absences Payable	(72,201)
Net Pension Liability	<u>(2,525,121)</u>
Net Cash Used by Operating Activities	<u><u>\$ (719,515)</u></u>

See accompanying Notes to Basic Financial Statements.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, there are a total of 21 counties in the Authority, this includes 4-member counties as the governing counties and 17 client counties. The 4 member counties are Santa Cruz, Kern, El Dorado, Monterey. The client counties are Alameda, Butte, Calaveras, Contra Costa, Glenn, Madera, Modoc, Mono, Napa, Placer, San Francisco, San Luis Obispo, Sonoma, Tehama, Tuolumne, Yolo, Yuba. The governing board of directors of the Authority consists of 4 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.

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.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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 \$119,989.

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

Changes in capital assets for the fiscal year ended June 30, 2022, are as follows:

	Balance - June 30, 2021	Additions	Deletions	Balance - June 30, 2022
Depreciable Capital Assets:				
Computer Equipment	\$ 160,332	\$ 24,925	\$ -	\$ 185,257
Accumulated Depreciation:				
Computer Equipment	(126,602)	(12,660)	-	(139,262)
Net Capital Assets	\$ 33,730	\$ 12,265	\$ -	\$ 45,995

Depreciation expense for the fiscal year ended June 30, 2022, was \$12,660.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 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, 2022, the amount was \$1,048,022.

NOTE 6 COMPENSATED ABSENCES

Prior to fiscal year 2022, when employment with the Authority was terminated, employees received compensation for all eligible unused hours. The policy was changed as of June 30, 2021 and no more compensated absences are accrued under the new policy. The outstanding compensated absences balance as of June 30, 2021 was \$72,201 and was paid in entirety by the Authority during the fiscal year ended June 30, 2022.

**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Fees for Services from Other Governmental Agencies	\$ 1,211,793	\$ 1,048,022	\$ (163,771)
Total Operating Revenues	<u>1,211,793</u>	<u>1,048,022</u>	<u>(163,771)</u>
OPERATING EXPENSES			
Insurance	27,000	26,174	826
Memberships	500	-	500
Salaries and Benefits	535,000	404,099	130,901
Office	20,000	14,679	5,321
Professional Services	84,200	56,330	27,870
Data Processing	147,280	150,016	(2,736)
Transportation and Travel	20,000	13,007	6,993
Annual Summit	20,000	-	20,000
Grant Issuance	25,000	-	25,000
Depreciation	25,000	12,660	12,340
Total Operating Expenses	<u>903,980</u>	<u>676,965</u>	<u>227,015</u>
OPERATING INCOME	307,813	371,057	63,244
NONOPERATING REVENUES (EXPENSES)			
Interest Earnings	-	16,655	16,655
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>16,655</u>	<u>16,655</u>
CHANGE IN NET POSITION	<u>\$ 307,813</u>	387,712	<u>\$ 79,899</u>
Net Position - Beginning of Year		<u>1,147,208</u>	
NET POSITION - END OF YEAR		<u>\$ 1,534,920</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***

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 27, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 financial statement. 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
September 27, 2023



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.