



**CALIFORNIA ELECTRONIC RECORDING
TRANSACTION NETWORK AUTHORITY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2024
(With Comparative Amounts for June 30, 2023)**

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CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

For the Fiscal Year Ended June 30, 2024

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Financial Section



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the California Electronic Recording Transaction Network Authority (Authority) which comprise the balance sheet as of June 30, 2024, the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the 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 financial position of the Authority as of June 30, 2024 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's 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.

Auditor's 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 auditor's report that includes our opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards 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, 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 comparison schedule 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2023, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 28, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Murrieta, California
February 28, 2025

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

Management's Discussion and Analysis (MD&A) offers readers of California Electronic Recording Transaction Network Authority's financial statements a narrative overview of the Authority's financial activities for the fiscal years ended June 30, 2024. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position decreased by 7.78% or \$132,821, compared to the prior year.
- The Authority had 2024 operating revenue of \$671,708 as compared to 2023 operating revenue of \$788,136 primarily from decreased fees for services from other governmental agencies in 2024.
- The Authority's operating expenses for 2024 increased \$183,181 from \$626,421 in 2023 to \$809,602 in 2024 due primarily to a \$125,906 decrease in expenses for admin costs as well as a \$30,140 decrease in expenses for other charges.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the Authority's financial statements. The Authority's basic financial statements reflect the combined results of the operating and capital programs and include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position and results of operations during the fiscal year ending June 30, 2024. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

REQUIRED FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet presents information on the Authority's assets and liabilities the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when evaluating financial position. Assets exceed liabilities, resulting in a net position of \$1,574,724 as of June 30, 2024.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in this statement. This statement measures the results of the Authority's operations for the year and can be used to determine if the Authority has successfully recovered all of its costs through fees and charges. Operating revenues and expenses are related to the Authority's core activities. Non-operating revenues and expenses are not directly related to the core activities of the Authority. For the fiscal year ended June 30, 2024 net position decreased by 7.78% or \$132,821.

CALIFORNIA ELECTRIC RECORDING TRANSACTION NETWORK AUTHORITY

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheet

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Assets			
Current assets	\$ 1,421,794	\$ 1,663,972	\$ (242,178)
Capital assets, net	152,930	47,188	105,742
Total assets	<u>\$ 1,574,724</u>	<u>\$ 1,711,160</u>	<u>\$ (136,436)</u>
Liabilities			
Current liabilities	\$ 1,000	\$ 4,615	\$ (3,615)
Total liabilities	<u>1,000</u>	<u>4,615</u>	<u>(3,615)</u>
Net Position			
Unrestricted	1,573,724	1,706,545	(132,821)
Total net position	<u>1,573,724</u>	<u>1,706,545</u>	<u>(132,821)</u>
Total liabilities and net position	<u>\$ 1,574,724</u>	<u>\$ 1,711,160</u>	<u>\$ (136,436)</u>

The Authority's net position decreased by approximately 7.78% or \$132,821, compared to the prior year.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Operating Revenues	\$ 671,708	\$ 788,136	\$ (116,428)
Operating Expenses	809,602	626,421	183,181
Operating income before depreciation	(137,894)	161,715	(299,609)
Depreciation expense	(26,634)	(23,083)	(3,551)
Operating income(loss)	(164,528)	138,632	(303,160)
Non-operating revenue(expenses)	31,707	32,993	(1,286)
Change in net position	(132,821)	171,625	(607,606)
Net Position			
Beginning of year	1,706,545	1,534,920	171,625
End of year	<u>\$ 1,573,724</u>	<u>\$ 1,706,545</u>	<u>\$ (132,821)</u>

The Authority had 2024 operating revenue of \$671,708 as compared to 2023 operating revenue of \$788,136 primarily from decreased fees for services from other governmental agencies in 2024.

The Authority's operating expenses for 2024 increased \$183,181 from \$626,421 in 2023 to \$809,602 in 2024 due primarily to a \$125,906 increase in expenses for admin costs as well as a \$30,140 increase in expenses for other charges.

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

General Fund Budgetary Highlights

The final budgeted expenditures for the Authority at year-end were \$53,061 less than actual. The variance is principally due to an increase in salary and employee benefits. Actual revenues were greater than the anticipated budget by \$6,708, primarily because of increased member agency's contributions.

CAPITAL ASSETS

Capital Assets

Table A-3: Capital Assets at Year End, Net of Depreciation

	<u>Balance</u> <u>June 30, 2024</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets:		
Depreciable assets	\$ 341,909	\$ 209,533
Accumulated depreciation	<u>(188,979)</u>	<u>(162,345)</u>
Total capital assets, net	<u>\$ 152,930</u>	<u>\$ 47,188</u>

At the end of fiscal year 2024, the Authority's capital assets amounted to \$152,930 (net of accumulated depreciation). Capital asset additions amounted to \$132,376 for equipment purchased. See Note 4 for further information.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the Authority's current financial position.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide the Board of Directors, creditors, and other interested parties with general overview of the Authority's financial operations and condition at the year ended June 30, 2024, and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, you may contact the Executive Director of the Authority at (657) 216-1400.

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Balance Sheets

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

	<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Assets			
Cash and cash equivalents (note 2)		\$ 1,309,042	\$ 1,536,679
Accrued interest receivable		13,667	10,100
Due from members (note 3)		99,085	117,193
Total current assets		<u>1,421,794</u>	<u>1,663,972</u>
Non-current assets:			
Capital assets, net (note 4)		152,930	47,188
Total non-current assets		<u>152,930</u>	<u>47,188</u>
Total assets		<u>\$ 1,574,724</u>	<u>\$ 1,711,160</u>
	<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:			
Accounts payable and accrued expenses		\$ 1,000	\$ 4,615
Total non-current liabilities		<u>1,000</u>	<u>4,615</u>
Total liabilities		<u>1,000</u>	<u>4,615</u>
NET POSITION			
Investment in capital assets		152,930	47,188
Unrestricted		1,420,794	1,659,357
Total net position		<u>1,573,724</u>	<u>1,706,545</u>
Total liabilities and net position		<u>\$ 1,574,724</u>	<u>\$ 1,711,160</u>

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY*Statements of Revenues Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2024**(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)*

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Fees for services (note 5)	\$ 671,708	\$ 788,136
Total operating revenues	<u>671,708</u>	<u>788,136</u>
Operating Expenses		
Salaries and employee benefits	519,889	393,983
Data processing	158,086	149,529
Professional services	53,101	50,363
Insurance	8,841	6,554
Materials and supplies	69,685	25,992
Total operating expenses	<u>809,602</u>	<u>626,421</u>
Operating income(loss) before depreciation	(137,894)	161,715
Depreciation expense	(26,634)	(23,083)
Operating income(loss)	(164,528)	138,632
Non-operating revenues(expenses):		
Investment earnings	31,707	32,993
Total non-operating revenues(expenses), net	<u>31,707</u>	<u>32,993</u>
Change in net position	<u>(132,821)</u>	<u>171,625</u>
Net Position		
Beginning of year	<u>1,706,545</u>	<u>1,534,920</u>
End of year	<u>\$ 1,573,724</u>	<u>\$ 1,706,545</u>

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2024

(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash receipts from members and others	\$ 689,816	\$ 790,932
Cash paid to employees for salaries and wages	(392,969)	(393,983)
Cash paid to vendors and suppliers for materials and services	(420,248)	(227,823)
Net cash provided by (used in) operating activities	<u>(123,401)</u>	<u>169,126</u>
Cash flows from non-capital financing activities:		
Acquisition of capital assets	(132,376)	(24,276)
Net cash used in non-capital financing activities	<u>(132,376)</u>	<u>(24,276)</u>
Cash flows from investing activities:		
Investment earnings	28,140	22,893
Net cash provided by investing activities	<u>28,140</u>	<u>22,893</u>
Net increase (decrease) in cash and cash equivalents	(227,637)	167,743
Cash and cash equivalents:		
Beginning of year	1,536,679	1,368,936
End of year	<u>\$ 1,309,042</u>	<u>\$ 1,536,679</u>
	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income(loss)	\$ (164,528)	\$ 138,632
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,634	23,083
(Increase) decrease in assets:		
Due from members	18,108	2,796
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,615)	4,615
Net cash provided by operating activities	<u>\$ (123,401)</u>	<u>\$ 169,126</u>

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The California Electronic Recording Transaction Network Authority (Authority) was established July 1, 2007, as a California Joint Powers Authority (JPA) to coordinate the service desires of both the County of Kern and county of San Bernardino and enable certain lead counties to jointly develop, implement and support as 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, 2023, there are a total of 22 counties in the Authority, this includes 3 – member counties as the governing counties and 19 client countries. The 3 member counties are Santa Cruz, Kern and El Dorado. The client counties are Alameda, Butte, Calaveras, Glenn, Humboldt, Madera, Modoc, Mono, Monterey, Napa, Placer, Plumas, San Francisco, San Luis Obispo, Sonoma, Tehama, Tuolumne, Yolo and Yuba. The governing board of directors of the Authority consists of 3 county officials, each from a member county.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Authority consists of all funds, departments, and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. Component units may also include organizations that are fiscally dependent on the Authority, in that the Authority approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the Authority is not financially accountable but the nature and significance of the organization's relationship with the Authority is such that exclusion would cause the Authority's financial statements to be misleading or incomplete.

The Authority has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing services be financed or recovered primarily through user (member) charges. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

2. Financial Reporting

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States Board (GAAP), as applied to enterprise funds, The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Authority's proprietary fund.

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

2. Financial Reporting (continued)

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Authority has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Authority's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position (continued)

3. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of acquisition. It is the Authority's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

The estimated service lives for the Authority's classes of assets are as follows:

<u>Description</u>	<u>Estimates Lives</u>
Ground Equipment, Furniture, and Office Equipment	15 years
Communication Equipment and Vehicles	10 years
Computer Equipment	5 years

4. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation.

Unrestricted - This component of net position is the net amount of the assets less liabilities that are not included in the determination of the investment in capital assets component of net position.

E. Fees for Services

1. Fees for Services from Agents

The Authority charges a fee to agents to submit documents for recordation via an approved ERDS on behalf of approved submitters. The fee is charged on a quarterly basis based on an annually adopted operating budget, total document recordings, and a per document fee. The Authority's operating budget total is divided by the estimated document recording volume of agents to arrive at an annual per document fee. Agent reports are run on a quarterly basis, based on actual number of documents recorded and this number is multiplied by the per document fee to arrive at total fees due. These fees are then invoiced to the agents quarterly and received as revenue under "Agent's Fee."

2. Fees for Services from Other Governmental Agencies

The Authority charges a fee to constituent organizations on a quarterly and annual 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 or annual basis its actual recording volumes and this number is multiplied by the per document fee to arrive at total fees due. These fees are then invoiced to the constituent organization and received as revenue under "Fees for Services from Other Governmental Agencies".

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

G. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year’s presentation.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2024, are classified on the balance sheet as follows:

<u>Description</u>	<u>Balance</u>
Cash and cash equivalents	\$ 1,309,042
Total cash and investments	<u>\$ 1,309,042</u>

Cash and investments at June 30, 2024, consisted of the following:

<u>Description</u>	<u>Balance</u>
Kern County Treasury Investment Pool (KCTIP)	\$ 1,309,042
Total cash and investments	<u>\$ 1,309,042</u>

Kern County Treasury Investment Pool (KCTIP)

The Authority is a voluntary participant in the Kern County Treasury Investment Pool (KCTIP) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Kern County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Kern Treasurer’s Office – 1115 Truxtun Ave, Ste 2ND, Bakersfield, CA 93301 or the Treasurer’s office website at www.kcttc.co.kern.ca.us. As of June 30, 2024, the Authority held \$1,309,042 in the KCTIP.

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3 – DUE FROM MEMBERS

Due from members, is reported at its gross value, and where appropriate, is reduced by an allowance for the estimated uncollectible amounts. There was no estimated allowance for uncollectible amounts on the June 30, 2024, due from members balance of \$99,085. The Authority believes the entire balance to be collectable.

NOTE 4 – CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2024, were as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Depreciable capital assets:				
Equipment	\$ 209,533	\$ 132,376	\$ -	\$ 341,909
Total depreciable capital assets	<u>209,533</u>	<u>132,376</u>	<u>-</u>	<u>341,909</u>
Accumulated depreciation:				
Equipment	<u>(162,345)</u>	<u>(26,634)</u>	<u>-</u>	<u>(188,979)</u>
Total accumulated depreciation	<u>(162,345)</u>	<u>(26,634)</u>	<u>-</u>	<u>(188,979)</u>
Total depreciable capital assets, net	<u>47,188</u>	<u>105,742</u>	<u>-</u>	<u>152,930</u>
Total capital assets, net	<u>\$ 47,188</u>	<u>\$ 105,742</u>	<u>\$ -</u>	<u>\$ 152,930</u>

NOTE 5 – FEES FOR SERVICES

Fees for services for the year ended June 30, 2024, consisted of the following:

<u>Description</u>	<u>2024</u>
Fees for services from agents	\$ 362,517
Fees or services from other governmental agencies	<u>309,191</u>
Total fees from services	<u>\$ 671,708</u>

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

A. Entity	SDRMA	
B. Purpose	To pool member contributions and realize the advantages of self-insurance	
C. Participants	As of June 30, 2024 – 503 member agencies	
D. Governing board	Seven representatives employed by members	
E. Condensed financial information	June 30, 2024	
Statement of net position:		June 30, 2024
Total assets		<u>\$ 162,354,367</u>
Deferred outflows		<u>1,620,957</u>
		<u>78,404,034</u>
Total liabilities		<u>78,404,034</u>
Deferred inflows		<u>384,924</u>
		<u>\$ 85,186,366</u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 117,816,189
Total expenses		<u>(104,151,026)</u>
Change in net position		13,665,163
Beginning – net position		<u>71,521,203</u>
Ending – net position		<u>\$ 85,186,366</u>
F. Member agencies share of year-end financial position		Not Calculated

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 6 – RISK MANAGEMENT (Continued)

At June 30, 2024, the Authority participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The Authority purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the Authority also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2024, 2023 and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024, 2023 and 2022.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The Authority does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The Authority is subject to routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 8 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through February 28, 2025, the date which the financial statements were available to be issued.

Supplementary Information

CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues			
Fees for services from other governmental agencies	\$ 665,000	\$ 671,708	\$ 6,708
Total revenues	<u>665,000</u>	<u>671,708</u>	<u>6,708</u>
Expenditures:			
Salaries and employee benefits	408,900	519,889	(110,989)
Data processing	208,775	158,086	50,689
Professional services	67,750	53,101	14,649
Insurance	10,000	8,841	1,159
Materials and supplies	62,750	69,685	(6,935)
Depreciation Expense	25,000	26,634	(1,634)
Total expenditures	<u>783,175</u>	<u>836,236</u>	<u>(53,061)</u>
Excess of revenues over expenditures	\$ (118,175)	\$ (164,528)	\$ (46,353)
Other financing sources (uses):			
Investment earnings	-	31,707	31,707
Change in net position	<u>\$ (118,175)</u>	<u>(132,821)</u>	<u>(14,646)</u>
Net position:			
Beginning of year		<u>1,706,545</u>	
End of year		<u>\$ 1,573,724</u>	

Other Independent Auditors' Reports



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 (Authority) which comprise the balance sheet as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 28, 2025.

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 to determine the 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 Authority'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 financial statements. 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.

Murrieta, California
February 28, 2025